

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

REPORT

OF

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 12 APR 2023	DAY: WEDNESDAY
TABLED BY:	DEPUTY MAJORITY LEADER
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THE AUDITOR-GENERAL

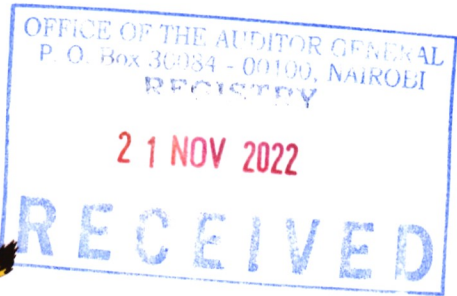
ON

INSTRUMENTS FOR DEVOLUTION  
ADVICE AND SUPPORT (IDEAS)  
CREDIT NO.KE/FED/024-230

FOR THE YEAR ENDED  
30 JUNE, 2022

MINISTRY OF DEVOLUTION





**Project Name**  
**INSTRUMENTS FOR DEVOLUTION ADVICE AND SUPPORT (IDEAS)**

**Implementing Entity**  
**MINISTRY OF DEVOLUTION**

**PROJECT GRANT/CREDIT NUMBER**  
**KE/FED/024-230**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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

***INSTRUMENTS FOR DEVOLUTION ADVICE AND SUPPORT PROJECT (IDEAS)***  
***Reports and Financial Statements***  
***For the financial year ended June 30, 2022***

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**1. PROJECT INFORMATION AND OVERALL PERFORMANCE**

**1.1 Name and registered office**

**Name:** Instruments for Devolution Advice and Support (IDEAS),

**Registered Office**

Tele Posta House, Kenyatta Avenue

P.O Box 30004-00100 Nairobi

**Objective**

The key objective of the project is to contribute to the implementation of the devolution process as outlined in the constitution of Kenya, 2010,

**Address**

The project headquarters offices are in the City of Nairobi, Nairobi City County, Kenya.

The address of its registered office is:

Teleposta House,

Kenyatta Avenue, and

P.O Box 30004-00100 Nairobi.

The project has no offices/branches

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

Telephone: (254) 202217475.

E-mail: [ps@devolutionandasals.go.ke](mailto:ps@devolutionandasals.go.ke)

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

**INSTRUMENTS FOR DEVOLUTION ADVICE AND SUPPORT PROJECT (IDEAS)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2022**

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**1.2 Project Information**

<b>Project Start Date:</b>	25 September 2014
<b>Project End Date:</b>	24 September 2022
<b>Project Manager:</b>	Ms Emmy M'mbwanga
<b>Project Sponsor:</b>	The European Union (EU)-GRANT

**1.3 Project Overview**

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Devolution
Project number	KE/FED/2013/024/230
Strategic goals of the project	The strategic goals of the project are as follows: (i) The purpose of the project is to support National and county capacities in the responsible transfer and use of resources for the achievement of Local Economic Development at county level (ii) Strengthening of the national institution's capacities for the management of the devolution process and fiscal decentralization (iii) Development of county capacities to facilitate inclusive and sustained economic growth, participatory planning and service delivery
Achievement of strategic goals	The project management aims to achieve the goals through the following means: 1. Improved national institutional capacities to support participatory and accountable fiscal decentralization; 2. Increased capacity at the county level to facilitate participatory planning, and local economic development
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: 1. Support the National treasury and other PFM actors to roll out Integrated planning and budgeting guidelines to the county level 2. Design and test county performance and assessment tools based on service delivery of quality of service 3. Facilitate establishment of LED units within selected counties
Project duration	The project started on 25 <sup>th</sup> September 2014 and is expected to run until 30 <sup>th</sup> September 2022

**INSTRUMENTS FOR DEVOLUTION ADVICE AND SUPPORT PROJECT (IDEAS)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2022**

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**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**1.4 Bankers**

The following are the bankers for the current year:

Bank Central Bank of Kenya  
 Name Instrument for Devolution Advice and support- IDEAS  
 Account No 1000318287

**1.5 Auditors**

The project is audited by the Office of the Auditor General and Auditors appointed by the EU delegation.

**1.6 Roles and Responsibilities**

The following is the list of the project management team and their roles in the project

<b>Names</b>	<b>Title designation</b>	<b>Key qualification</b>	<b>Responsibilities</b>
Mr. Julius Korir, CBS	Principal secretary	Degree	Accounting Officer
Alfonso Munyali	Ag Secretary Devolution	Degree	Program Estimate Imprest Administrator
Kennedy Nyambati	Director CB&TA	Degree	Program Estimate Alt Imprest Administrator
Robert Asumani	Head of Accounting Unit	Degree	Program Estimate Imprest Accounting Officer
Moses M Macharia	Principal Accountant	Degree	Alt imprest accounting officer and Project Accountant
Emmy M'mbwanga	Programme Coordinator	Degree	Programme Coordination, Administration and Management

**1.7 Funding summary**

The Project is for duration of seven (7) years, from Sept. 2014 to 24th September 2021 with an approved budget of Euro. 28,600,000 as highlighted in the table below;

**INSTRUMENTS FOR DEVOLUTION ADVICE AND SUPPORT PROJECT (IDEAS)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2022**

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

Below is the funding summary:

**A. Source of Funds**

Source of funds	Donor Commitment-		Amount received to date – (30 Jun 2022)		Undrawn balance to date	
	EUR	KShs	EUR	KShs	EUR	KShs
	(A)	(A')	(B)	(B')	(A)- (B)	(A)-(B)
<b>(i) Grant</b>						
European Union (EU)	28,600,000	3,276,416,000	11,231,793	1,382,633,724	15,384,096	1,893,782,276
<b>(ii) Counterpart funds</b>						
Government of Kenya	0	0	0	0		0
<b>Total</b>	<b>28,600,000</b>	<b>3,276,416,000</b>	<b>11,231,793</b>	<b>1,382,633,724</b>	<b>15,384,096</b>	<b>1,893,782,276</b>

**INSTRUMENTS FOR DEVOLUTION ADVICE AND SUPPORT PROJECT (IDEAS)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2022**

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**B. Application of Funds**

Application of funds	Amount received to date – (30 <sup>th</sup> June 2022)		Cumulative Amount paid to date – (30 <sup>th</sup> June 2022)		Unutilised balance to date 30 <sup>TH</sup> JUN 2022)	
	<i>EUR</i>	<i>Kshs</i>	<i>EUR</i>	<i>Kshs</i>	<i>EUR</i>	<i>Kshs</i>
	<i>(A)</i>	<i>(A')</i>	<i>(B')</i>	<i>(B')</i>	<i>(A)-(B)</i>	<i>(A')-(B')</i>
<b>(i) Grant</b>						
European Union (EU)	9,861,380	1,353,644,974		1,346,220,573	-	7,424,401
<b>Total</b>	<b>9,861,380</b>	<b>1,353,644,974</b>		<b>1,346,220,573</b>	<b>-</b>	<b>7,424,401</b>

**1.8 Summary of Project Compliance:**

The project has not had any issues of non-compliance with any international conventions or regulation.



**2. STATEMENT OF PERFORMANCE AGAINST PROJECT’S PREDETERMINED OBJECTIVES**

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 IDEAS Programme aims at meeting the overall objective of the Kenya Government, which is **“Contributing to the implementation of the devolution process as outlined in the Constitution of Kenya 2010”**. Deriving from the above, the specific objective of the IDEAS programme is to **“Support Central/National and County Government capacities in the responsible transfer and use of resources for the achievement of Local Economic Development at the County Level.**

The programme has two **Key results areas**:

1. Result Area 1. **Improved national institutional capacity** to be able to support participatory and accountable fiscal decentralization; and
2. Result Area 2. **Increased capacity at County level** to facilitate participatory planning and Local Economic Development.

The IDEAS programme specifically related to the LED capacity building and grants has the following **budgets**: €15 million for LED grants to 15 Counties; €0.7 million to MoD; €1 million for the KSG; €5.3 million for the technical assistance contract.

Additionally, and outside the Ministry of Devolution’s IDEAS LED Scope, The world Bank receives EUR 2,500,000 for Support to PFM Stakeholders through an administrative agreement and delegation agreement, and Commission on Revenue Allocation (CRA) receives EUR 796,000 for capacity building on fiscal decentralization. Since outside MoD’s IDEAS LED scope, we are not reporting on these latter IDEAS components.

Project	Objective	Outcome	Indicator	Performance
		Successful Implementation of – EU – Co-funded County IDEAS LED Projects	The supported 17 County IDEAS LED projects have achieved the set LED objectives	The Counties are doing reasonably well in implementing the County IDEAS LED Projects, with most projects likely to start successful operation soon, with benefits reaching the targeted beneficiaries (farmers, traders). It is too early to assess the current achievements in creating benefits for the targeted beneficiaries, though.

### **3.ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

EU-IDEAS exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar.

#### **1. Sustainability strategy and profile**

The strengthening of the capacity of project management and LED in the Ministry and the participating counties is being achieved in a way that these increased capacities are operational in the ministry and counties for a long time to come.

The supported County LED projects are designed and implanted in a manner to secure that these projects will be in operation successfully (in terms of achieving the project/business objectives/targets) for a period of at least 10 years.

#### **2. Environmental performance**

The supported County LED Projects are designed and being implemented in a way that reduces environmental degradation, and if possible, supporting environmental protection by improving farming/livestock techniques that support environmental protection.

#### **3. Employee welfare**

The participating Counties will ensure that the County LED projects will be managed with good employee welfare in mind.

#### **4. Market place practices**

The supported County LED projects were selected, and designed in a way that no other private sector competitor would bet unfair competition. Of course, starting a new business will increase the competition in the market, but the IDEAS businesses will do this in a fair manner, and the IDEAS businesses were selected for exploring the possibilities in a niche, where no serious other competitors were/are operational.

The projects were selected and designed after a thorough Value Chain Analysis.

Most Counties have elaborate plans to before or after start of operation get the private sector operators involved in the IDEAS LED businesses, through an operation contract, a lease contract with operation, PPP (with private sector risk capital investment) or through sale of the project to the private sector.

#### **5. Community Engagements**

The surrounding communities are engaged from the very beginning of the county LED projects: the projects were identified in the CIDP in which process the community is participating. The project intends to have many clearly identified and measurable benefits for the targeted beneficiaries in the participating communities.

**INSTRUMENTS FOR DEVOLUTION ADVICE AND SUPPORT PROJECT (IDEAS)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2022**

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**4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES**

The Principal Secretary for the Ministry of Devolution and the Project Coordinator for IDEAS project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Principal Secretary for the Ministry of Devolution and the Project Coordinator for IDEAS 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 for the Ministry of Devolution and the Project Coordinator for IDEAS 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 ended June 30, 2022 and of the Project's financial position as at that date. The Principal Secretary, Ministry of devolution and the Project Coordinator for IDEAS project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

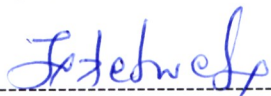
The Principal Secretary for the Ministry of Devolution and the Project Coordinator for IDEAS project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under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

**Approval of the Project financial statements**

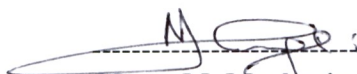
The Project financial statements were approved by the Principal Secretary for the Ministry of Devolution and the Project Coordinator for IDEAS project on 30<sup>th</sup> September 2022 and signed by them.



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**Julius Korir, CBS**  
**Principal Secretary**



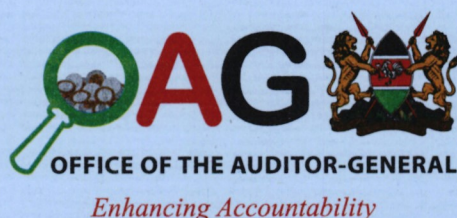
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**Emmy A. M'bwanga**  
**Project Coordinator**



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**Moses M. Macharia**  
**Project Accountant:**  
**ICPAK: Number: 20561**

# REPUBLIC OF KENYA

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON INSTRUMENTS FOR DEVOLUTION ADVICE AND SUPPORT (IDEAS) CREDIT NO.KE/FED/024-230 FOR THE YEAR ENDED 30 JUNE, 2022 – MINISTRY OF DEVOLUTION**

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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 control, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, 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**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Instruments for Devolution Advice and Support Project set out on pages 1 to 16, which comprise the statement of

financial assets as at 30 June, 2022, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya 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, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Instruments for Devolution Advice and Support Project as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012 and the Financing Agreement No.KE/FED/024-230 dated 25 September, 2014 between European Commission and the Government of the Republic of Kenya.

### **Basis for Qualified Opinion**

#### **1. Double Payments for Supplies**

The statement of receipts and payments reflects transfers to other Government entities expenditure of Kshs.100,438,873 as disclosed in Note 4 to the financial statements which includes an amount of Kshs.31,676,176 transferred to Kisumu County. However, review of contract documents revealed the following anomalies:

- i. Supply and delivery of Tractor, Trailer and 3-Disc Plough was awarded to a Company on 5 May, 2021 and payment was made vide PV NO.5060 dated 23 February, 2022 of Kshs.4,548,462 and PV No.5060 dated 13 October, 2021 of Kshs.5,276,216 resulting to double payments for the same supply.
- ii. In addition, Proforma Invoice from the Company attached to the Payment Voucher was of Kshs.5,276,210 dated 20 September, 2021. The bank statement of the project confirmed that two payments were made to the Company on 14 February, 2022 of Kshs.4,548,462 for Local Purchase Order (LPO) Number 10778 and on 13 April, 2022 of Kshs.4,548,462 for the same LPO Number 10778.
- iii. Further, there was another payment of Kshs. 510,703 which was made to the Company on 21 June, 2022 being refund of 16% VAT deducted but the supporting documents to confirm that withholding tax was deducted and remitted to the relevant authority was not provided for audit.
- iv. Physical verification of the assets revealed that, a trailer was missing and no explanation was provided for the anomaly.

In the circumstances the propriety, accuracy and completeness of the expenditure of Kshs.10,335,381 incurred could not be confirmed.

## **2. Unapproved Expenditure on Transfers to Other Government Entities**

The statement of receipts and payments reflects transfers to other government entities of Kshs.100,438,873 as disclosed in Note 4 to the financial statements. However, review of the approved budget revealed Kshs. Nil amount for transfers to other government entities resulting to an over expenditure of Kshs.100,438,873. No documents were provided for audit to explain the reallocation of funds.

Failure to capture expenditure in the budget as estimates is a contravention of the provision of Section 72(6) of the Public Financial Management (National Government) Regulations, 2015 which states that National Government shall ensure grants are factored in the budgets and counterpart funds appropriated accordingly.

In the circumstances, the propriety and approval of the expenditure of Kshs.100,438,873 transferred to other government entities could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Instruments for Devolution Advice and Support Project's Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified 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. I have determined that there were no key audit matters to communicate in my report.

## **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. Delay in Completion of Projects**

Review of documents revealed that European Union (EU) had transferred cumulative total of Kshs.1,251,492,628 to the fifteen (15) Counties in two (2) tranches for the implementation of seventeen (17) Local Economic Development (LED) Projects as at 30 June, 2022. However, out of the 17 Projects, four (4) Projects worth Kshs.440,000,000 had not been completed and commissioned while seven (7) Projects valued at

Kshs.660,000,000 did not receive the second tranche due to failure to adhere to the conditions of the Financing Agreement which included poor workmanship, utilization of funds in ineligible expenditure and misuse of the funds.

In the circumstances, the regularity and value for money realized from the expenditure of Kshs.1,100,000,000 incurred on the eleven (11) stalled Projects could not be confirmed.

## **2. Failure to Transfer Grants to Specific Project Account in Wajir County**

The statement of receipts and payments reflects the transfers to other government entities expenditure of Kshs.100,438,873 as disclosed in Note 4 to the financial statements. The expenditure includes the transfers to Wajir County of Kshs.19,908,166 which further includes the amount of Kshs.784,381 allocated for Milk Project. However, review of supporting documents revealed that the money was not transferred to the specific project account. This is contrary to the provisions of Section 74(5) of Public Finance Management (County Government) Regulations, 2015 which states that monies received for specified projects which have been paid into the County Revenue Fund, shall be released when required to the appropriate project bank account.

In the circumstances, Management was in breach of the law.

## **3. Irregular Procurement of Construction of Camel Slaughter House**

The statement of receipts and payments reflects the transfers to other government entities expenditure of Kshs.100,438,873 as disclosed in Note 4 to the financial statements. The expenditure includes transfers to Wajir County of Kshs.19,908,166 which further includes the amount of Kshs.2,912,242 which was paid to a Company for the construction of a camel slaughter house including holding pen, concrete pathway and the rehabilitation of an alternative slaughter area. However, the following anomalies were noted during the audit:

- i. Slaughter house had poor disposal system for by-products from slaughtered camels which might be an indication of poor workmanship.
- ii. Purchase of construction materials were not supported with adequate relevant procurement documents such as stores register, goods received and issued vouchers, bin cards, procurement professional opinion, invoices, receipts, delivery notes, inspection and acceptance committee report and the stores ledger.

In the circumstances, the regularity and value for money realized from the expenditure of Kshs.2,912,242 incurred could not be confirmed.

## **4. Irregular Procurement of Dairy cows**

The statement of receipts and payments reflects the transfers to other government entities expenditure of Kshs.100,438,873 as disclosed in Note 4 to the financial statements. The expenditure includes the transfers to Kisumu County of Kshs.31,676,176 which further includes an amount of Kshs.2,900,000 incurred on purchase of dairy cows.

However, review of contract documents revealed that a Company was paid Kshs.2,900,000 for supply and delivery of sixteen (16) dairy cows. However, physical verification conducted revealed that there were twelve (12) dairy cows and seven (7) calves as opposed to sixteen (16) dairy cows stated in the bill of quantities, delivery note, invoice, and Inspection and acceptance committee minutes resulting to variance of four (4) dairy cows. No explanation was provided for the anomaly.

In the circumstances, the regularity and value for money realized from the expenditure of Kshs.2,900,000 incurred could not be confirmed.

## **5. Irregular Procurement of Goods and Services**

The statement of receipts and payments reflects the transfers to other government entities expenditure of Kshs.100,438,873 as disclosed in Note 4 to the financial statements. The expenditure includes the transfers to Kisumu County of Kshs.31,676,176 which further includes an amount of Kshs.11,588,565 incurred on purchase of assorted office items, farm equipment and electricity services at Muhoroni Milk Plant. However, the following anomalies were noted during the audit:

- i. Electricity connection to the project had not yet been done despite the full payment of connection fees.
- ii. Procurement documents supporting purchase of farm equipment were not provided for audit.
- iii. In addition, Information Communication Technology equipment had not been delivered.

In the circumstances, the regularity and value for money from the expenditure of Kshs.11,588,565 incurred could not be confirmed.

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

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

### **Conclusion**

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



## **Basis for Conclusion**

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

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

As required by the Financing Agreement between the European Commission and the Government of the Republic of Kenya, I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and,
- iii. The Project's financial statements are in agreement with the accounting records and returns.

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

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

In preparing the financial statements, Management is responsible for assessing the Project's ability to sustain 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 the Project monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes

and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal 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 control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Project's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to

those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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

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

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

  
CPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**


**06 December, 2022**


**INSTRUMENTS FOR DEVOLUTION ADVICE AND SUPPORT PROJECT (IDEAS)**  
**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	2021/2022			2020/2021			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	KShs	KShs	KShs
<b>RECEIPTS</b>								
Proceeds from domestic and foreign grants	1	-	100,438,873	100,438,873	-	238,383,946	238,383,946	1,382,633,724
<b>TOTAL RECEIPTS</b>		-	<b>100,438,873</b>	<b>100,438,873</b>	-	<b>238,383,946</b>	<b>238,383,946</b>	<b>1,382,633,724</b>
<b>PAYMENTS</b>								
Compensation of employees	2		-		3,060,000		3,060,000	14,760,000
Purchase of goods and services	3		-		3,111,044		3,111,044	24,454,023
Transfers to other government entities	4		100,438,873	100,438,873	-	238,383,946	238,383,946	1,335,995,300
<b>TOTAL PAYMENTS</b>			<b>100,438,873</b>	<b>100,438,873</b>	<b>6,171,044</b>	<b>238,383,946</b>	<b>244,554,990</b>	<b>1,375,209,323</b>
<b>SURPLUS/(DEFICIT)</b>			-	-	<b>(6,171,044)</b>	-	<b>(6,171,044)</b>	<b>7,424,401</b>

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements. The financial statements were approved on 30<sup>th</sup> September 2022 and signed by;

  
**Julius Korir, CBS**  
 Principal Secretary

  
**Emmy A. M'mbwanga**  
 Project Manager


  
**Moses M. Macharia**  
 Project Accountant  
 ICPAK Number: 20561


**INSTRUMENTS FOR DEVOLUTION ADVICE AND SUPPORT PROJECT (IDEAS)**  
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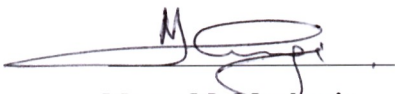
**7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2022**

	Note	2021-2022	2020-2021
		KShs	KShs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	6	7,424,401.00	7,424,401.00
<b>Total Cash and Cash Equivalents</b>		7,424,401.00	7,424,401.00
<b>TOTAL FINANCIAL ASSETS</b>		<b>7,424,401.00</b>	<b>7,424,401.00</b>
<b>FINANCIAL LIABILITIES</b>			
<b>NET ASSETS</b>		-	-
<b>REPRESENTED BY</b>			
Fund balance b/fwd	7	7,424,401	13,595,445.00
Surplus/(Deficit) for the year		-	(6,171,044.00)
<b>NET FINANCIAL POSITION</b>		<b>7,424,401.00</b>	<b>7,424,401.00</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<sup>th</sup> September 2022 and signed by:

  
**Julius Korir, CBS**  
**Principal Secretary**

  
**Emmy A. M'mbwanga**  
**Project Coordinator**


  
**Moses M. Macharia**  
**Project Accountant**  
**ICPAK No. 20561**


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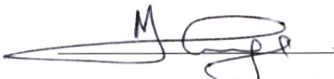
**8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2022**

		<b>2021-2022</b>	<b>2020-2021</b>
	<b>Note</b>	<b>KShs</b>	<b>KShs</b>
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts from operating activities</b>			
Proceeds from domestic and foreign grants	<b>1</b>	100,438,873-	-
<b>Payments from operating activities</b>			
Compensation of employees	<b>2</b>		3,060,000
Purchase of goods and services	<b>3</b>		3,111,044
Transfers to other government entities	<b>4</b>	(100,438,873)	-
<b>Adjustments during the year</b>			
<b>Net cash flow from operating activities</b>		-	<b>(6,171,044)</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Assets		-	-
<b>Net cash flows from Investing Activities</b>		-	-
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
<b>Net cash flow from financing activities</b>		-	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			<b>(6,171,044)</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>	<b>5</b>	<b>7,424,401</b>	<b>13,595,445</b>
<b>Cash and cash equivalent at END of the year</b>	<b>5</b>	<b>7,424,401</b>	<b>7,424,401</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<sup>th</sup> September 2022 and signed by:

  
 Julius Korir, CBS  
 Principal Secretary

  
 Emmy A. M'bwanga  
 Project Coordinator

  
 Moses M. Macharia  
 Project Accountant  
 ICPAK No.20561

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**9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

Receipts/Payments Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
<b>Receipts</b>						
Proceeds from domestic and foreign grants	230,730,934	(130,292,061)	100,438,873	100,438,873	-	100%
Proceeds from borrowings						
<b>Total Receipts</b>	<b>230,730,934</b>	<b>(130,292,061)</b>	<b>100,438,873</b>	<b>100,438,873</b>	<b>-</b>	<b>100%</b>
<b>Payments</b>						
Transfers to other government entities	230,730,934	(130,292,061)	100,438,873	100,438,873	-	100%
<b>Total Payments</b>	<b>230,730,934</b>	<b>(130,292,061)</b>	<b>100,438,873</b>	<b>100,438,873</b>	<b>-</b>	<b>100%</b>

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



**Julius Korir, CBS**  
Principal Secretary



**Emmy A. M'bwanga**  
Project Coordinator



**Moses M. Macharia**  
Project Accountant  
ICPAK No. 20561

## **10. SIGNIFICANT ACCOUNTING POLICIES**

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

### **10.1 Basis of Preparation**

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

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

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

### **10.3 Reporting entity**

The financial statements are for the Instrument for Development, Advice and Support Project (IDEAS) under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

#### **10.3.1 Reporting currency**

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

### **10.4 Significant Accounting Policies**

#### **a) Recognition of receipts**

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



**i) Transfers from the Exchequer**

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

**ii) External Assistance**

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

**iii) Other receipts**

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

**b) Donations and grants**

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

**c) Proceeds from borrowing**

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

**d) Undrawn external assistance**

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

**e) Recognition of payments**

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

**i) Compensation of employees**

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

**ii) Use of goods and services**

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

**iii) Interest on borrowing**

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

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

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

**v) Acquisition of fixed assets**

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

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

**f) In-kind donations**

In-kind contributions are donations that are made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably

determined, the Project includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

**g) Cash and cash equivalents**

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

**Restriction on cash**

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

**h) Accounts receivable**

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

**i)Contingent 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:

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***Reports and Financial Statements***  
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- 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. There were no contingent liabilities in the year. 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 .During the year there were no contingent liabilities

**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.

**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 Ministry of Devolution 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.

During the year Kshs 100,438,873 being loan disbursements were received in form of direct payments from third parties.

**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.

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***Reports and Financial Statements***  
***For the financial year ended June 30, 2022***

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**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.

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**11. NOTES TO THE FINANCIAL STATEMENTS**

**1. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS**

During the 12 months to 30 June 2022 we received grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in EUR	Grants received in cash	Grants received as direct payment*	Grants received in kind	Total amount in KShs	
						2021/22	2020/21
			KShs	KShs	KShs	KShs	KShs
<b>Grants Received from Multilateral Donors (International Organizations)</b>			-			-	-
European Union (EU)				100,438,873	-	100,438,873	238,383,946
<b>Total</b>				<b>100,438,873</b>	<b>-</b>	<b>100,438,873</b>	<b>238,383,946</b>

**2. COMPENSATION OF EMPLOYEES**

	2021/2022			2020/2021	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
-					
Basic salaries of permanent employees	-	-	-	3,060,000	13,500,000
Basic wages of temporary employees	-	-	-	-	1,260,000
<b>Total</b>				<b>3,060,000</b>	<b>14,760,000</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**3. PURCHASE OF GOODS AND SERVICES**

	2021/2022			2020/2021	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	K Sh s	KShs	KShs
Training expenses					4,231,393
Utilities, supplies and services					272,000
Acquisition of Assets				343,966	1,692,666
Domestic Travel and subsistence					9,654,538
Printing, advertising and information supplies				2,767,078	2,767,078
<b>Total</b>		=		<b>3,111,044</b>	<b>24,454,023</b>

*[Purchase of laptops/computers of Ksh 343,966 is also recognized as an asset and has been included in the asset register]*



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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4. TRANSFERS TO OTHER GOVERNMENT ENTITIES**

During the 12 months to 30 June 2022, we transferred funds to reporting government entities as shown below:

	2021/2022			Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	
	KShs	KShs	KShs	KShs
<b>Transfers to National Government entities</b>				
National treasury		-	-	9,503,515.00
Kenya School Of Government-KSG		28,988,750	28,988,750	75,370,750.00
				-
<b>Transfers to County Government</b>				
Baringo				73,255,622.00
Kisii				93,859,855.00
Kisumu		31,676,176	31,676,176	58,305,601.00
Kwale				99,000,000.00
Laikipia		18,744,940	18,744,940	73,028,491.00
Makueni				99,000,000.00
Marsabit				70,008,819.00
Migori				94,002,743.00
Nyandarua				78,776,776.00
Samburu				62,214,484.00
Taita Taveta				51,980,909.00
Tana River				79,840,765.00
Uasin Gishu				98,999,496.00
Wajir		19,908,166	19,908,166	69,892,507.00
West Pokot		1,120,781	1,120,781	77,504,904.00
<b>TOTAL</b>		<b>100,438,813</b>	<b>100,438,813</b>	<b>1,335,995,300.00</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 Annex 2 to the financial statements.

**INSTRUMENTS FOR DEVOLUTION ADVICE AND SUPPORT PROJECT (IDEAS)**  
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**For the financial year ended June 30, 2022**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**5. CASH AND CASH EQUIVALENTS**

	<b>2021/22</b>	<b>2020/21</b>
	<b>KShs</b>	<b>KShs</b>
Bank accounts (Note 8.13A)	7,424,401	13,595,445
Cash in hand (Note 8. 13B)	-	-
Cash equivalents (short-term deposits) (Note 8.13C)	-	-
<b>Total</b>	<b>7,424,401</b>	<b>13,595,445</b>

The project has one Local project account as listed below:

**6. A Bank Accounts**

**Project Bank Accounts**

	<b>2021/22</b>	<b>2020/21</b>
	<b>KShs</b>	<b>KShs</b>
<b>Local Currency Accounts</b>		
Central Bank of Kenya [A/c No 1000318287]	7,424,401	13,595,445
<b>Total bank account balances</b>	<b>7,424,401</b>	<b>13,595,445</b>

**7. FUND BALANCE BROUGHT FORWARD**


	<b>2021/22</b>	<b>2020/21</b>
	<b>KShs</b>	<b>KShs</b>
Bank accounts	7,424,401	13,595,445
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
<b>Total</b>	<b>7,424,401</b>	<b>13,595,445</b>


**INSTRUMENTS FOR DEVOLUTION ADVICE AND SUPPORT PROJECT (IDEAS)**  
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**For the financial year ended June 30, 2022**

**12. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR’S RECOMMENDATIONS**

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

Reference No. on the external audit Report	Issue Observations from Auditor	Management comments	Focal person resolve issue	Point to the	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Budgetary control and performance	The low absorption was due to some counties had not met all the conditionalities for disbursement	Program coordinator		resolved	
2	Unresolved prior year issues	The prior year issues have been resolved	Program coordinator		resolved	

  
 \_\_\_\_\_  
**JULIUS KORIR, CBS**  
**PRINCIPAL SECRETARY**

  
 \_\_\_\_\_  
**EMMY M MBWANGA**  
**PROJECT COORDINATOR**

**INSTRUMENTS FOR DEVOLUTION ADVICE AND SUPPORT PROJECT (IDEAS)**  
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**13. ANNEXES**

**ANNEX1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

	<b>Final Budget</b>	<b>Actual on Comparable Basis</b>	<b>Budget Utilization Difference</b>	<b>% of Utilization</b>	<b>Comments on Variance(below 90% and over 100%)</b>
	<b>a</b>	<b>b</b>	<b>c=a-b</b>	<b>d=b/a %</b>	
<b>Receipts</b>					
Transfer from Government entities		--	-		
Proceeds from domestic and foreign grants	0	100,438,873	(100,438,873)		
Proceeds from borrowings	-	-	-		
Miscellaneous receipts	-	-	-		
<b>Total Receipts</b>	0	100,438,873	(100,438,873)		
<b>Payments</b>					
Compensation of employees					
Purchase of goods and services					
Social security benefits					
Acquisition of non-financial assets					
Transfers to other government entities		100,438,873	(100,438,873)		
Other grants and transfers					
<b>Total payments</b>		100,438,873	(100,438,873)		


**INSTRUMENTS FOR DEVOLUTION ADVICE AND SUPPORT PROJECT (IDEAS)**  
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**ANNEX 2: RECONCILIATION OF INTER-ENTITY TRANSFERS**

<b>PROJECT NAME:</b>				
<b>Break down of Transfers from the Ministry of Devolution</b>				
<b>b. Direct Payments</b>		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
	KISUMU COUNTY	9/06/2021	31,676,176	
	LAIKIPIA COUNTY	18/11/2021	18,744,940	
	WAJIR COUNTY	16/2/2022	19,908,166	
	WEST POKOT	25/2/2022	1,120,781	
	KENYA SCHOOL OF GOVERNMENT	17/06/2021	28,988,750	
		<b>Total</b>	<b>100,438,873</b>	

The above amounts have been communicated to and reconciled with the counties/ state department

PROJECT COORDINATOR  
 IDEAS PROJECT

SIGN 

PROJECT ACCOUNTANT  
 MINISTRY OF DEVOLUTION

SIGN 

**INSTRUMENTS FOR DEVOLUTION ADVICE AND SUPPORT PROJECT (IDEAS)**  
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**ANNEX 4 – SUMMARY OF FIXED ASSETS REGISTER**

<b>Asset class</b>	<b>Opening Cost (KShs) 2021/22</b>	<b>Donations in form of assets (KShs) 2021/22</b>	<b>*Purchases/ Additions in the Year (KShs) 2021/22</b>	<b>**Disposals in the Year (KShs) 2021/22</b>	<b>Transfers in/(out) Kshs 2021/22</b>	<b>Closing Cost (KShs) 2022</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>	<b>(d)</b>	<b>(e)= (a)+ (b)+c)-(d)+(-)d</b>
ICT Equipment, Software and Other ICT Assets	1,692,666					1,692,666
<b>Total</b>	<b>1,692,666</b>					<b>1,692,666</b>

***INSTRUMENTS FOR DEVOLUTION ADVICE AND SUPPORT PROJECT (IDEAS)***  
***Reports and Financial Statements***  
***For the financial year ended June 30, 2022***

**APPENDICES**

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations statement as at 30<sup>th</sup> June 2022
- iii. Board of Survey Report
- iv. Special Deposit Account(s) reconciliation statement(s)
- v. GOK IFMIS comparison Trial Balance