



Enhancing Accountability



REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

OF DATE: 23 FEB 2021

DAY:
TUESDAY

TABLED
BY:

LOM

THE AUDITOR-GENERAL Moses Lemuna

PARLIAMENT
OF KENYA
LIBRARY

ON

**KENYA PRIMARY EDUCATION
DEVELOPMENT PROJECT
(GRANT NO. TFO18863)**

**FOR THE YEAR ENDED
30 JUNE, 2020**

**MINISTRY OF EDUCATION –
STATE DEPARTMENT FOR
EARLY LEARNING AND BASIC EDUCATION**



Project Name: KENYA PRIMARY EDUCATION DEVELOPMENT PROJECT

**Implementing Entity: MINISTRY OF EDUCATION – STATE DEPARTMENT OF EARLY
LEARNING AND BASIC EDUCATION**

**PROJECT GRANT ID: P146797
CREDIT NUMBER: TFOI8863**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30 JUNE, 2020

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

**Kenya Primary Development Project (PRIEDE)
Reports and Financial Statements
For the financial year ended 30 June, 2020**

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: The project's official name is Kenya Primary Education Project.

Objective: The key objective of the project is to improve early grade mathematics competency and to strengthen management systems at school and national levels.

Address: The project headquarters office is located in Nairobi County, Kenya.

The address of its registered office is:

Jogoo House,
Harambee Avenue,
Nairobi.

Contacts: The following are the project contacts
P.O Box 30040, 00100

1.2 Project Information

Project Start Date:	The project start date is 08.07.2015
Project End Date:	The project end date is 31.12.2021
Project Manager:	The project manager is M/s Martha Ekirapa
Project Sponsor:	The project sponsor is International Development Association, Global Partners of Education and Government of Kenya which will contribute 10% of the entire grant of USD 88.4M

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of State Department for Early Learning & Basic Education.
Project number	P146797
Strategic goals of the project	The strategic goals of the project are as follows: (i) The project activities are aligned with the Government's strategic objective of providing quality basic education for Kenya's sustainable development.
Achievement strategic goals of	The project management aims to achieve the goals through the following means: (i) Improvement in basic mathematics competency level of Grade 2 pupils

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	<p>(ii) Number of participating schools completing top two priorities of School Improvement Plans (SIP)</p> <p>(iii) EMIS data for primary education published annually from 2016</p> <p>(iv) NASMLA for standard 3 pupils conducted and disseminated in 2015 and 2018</p>
Other important background information of the project	The project has completed its third year of implementation
Current situation that the project was formed to intervene	<p>The project was formed to intervene in the following areas:</p> <p>(i) Improving early grade learning competencies</p> <p>(ii) Strengthening systems at schools and national levels for improving primary education service delivery</p>
Project duration	The project started on 8 July 2015 and is expected to run until 31 December 2021.

1.4 Bankers

The following are the bankers for the current year:

(i) Designated account: Central Bank of Kenya
Head Office, Haile Selasie
Account No. 112426

(ii) Project Accounts: Central Bank of Kenya
Haile selasie
Account No. 1000307404

Central Bank of Kenya
Haile selasie
Account No. 1000307398

Central Bank of Kenya
Haile selasie
Account No. 1000307412

1.5 Auditors

The project is audited by the:

Auditor-General
Anniversary Towers, University Way
P.O. Box 30084
Nairobi

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1.6 Roles and Responsibilities

List the different people who will be working on the project. This list would include the project manager and all the key stakeholders who will be involved with the project. Also, record their role, their positions, and their contact information.

Names	Title designation	Key qualification	Responsibilities
Martha Ekirapa	Project Coordinator	Educationist	Overall programme coordination.
Hellen Boruett	Head of Component 1	Educationist	Management of component 1 activities
Peter Gachathi	Head of Component 2	Educationist	Management of component 2 activities
Sebastian Owanga	Head of Component 3	Educationist	Management of component 3 activities
Josephine Ondieki	Head of Component 4	Educationist	Management of 4 component activities

1.7 Funding summary

The Project duration is five years (from 2015 to 2021) with an approved budget of US\$ 88.4 Million (use donor currency) equivalent to KES 9.02 Billion at the exchange rate of 1USD=KES101.06 as highlighted in the table below;

Source of funds	Donor Commitment-		Amount received to date – (30 06 2020)		Undrawn balance to date (30 06 2020)	
	Donor currency	Kshs	Donor currency	Kshs	Donor currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
Category 1- IDA	58,400,000	5,960,304,000	53,717,619.04	5,428,702,580.18	4,682,380.96	531,601,419.82
Category 2- GPE	30,000,000	3,061,800,000	24,736,159	2,537,043,350	5,263,841	524,756,650
Sub Totals	88,400,000	9,022,104,000	78,453,778.04	7,965,745,930.18	9,946,221.96	1,056,358,069.82
(iii) Counterpart funds (10%)						
Government of Kenya	8,400,000	857,304,000	1,907,896	194,001,143	6,492,104	663,302,857
Total	96,800,000	9,879,408,000	79,390,820	8,159,747,073.18	16,438,325.96	1,719,660,926.82

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1.8 Summary of Overall Project Performance:

Budget performance against actual amounts for current year was only 82 percent. Cumulatively, the disbursement is relatively at 91 percent and actual expenditure of 88 percent compared to the project remaining life which is now one year

result	Progress
Component 1	
Key result Improvement of early grade mathematics competency	Developed the School Based Teacher Support (SBTS) operationalization manual for Grade 1, 2 & 3. Supported KICD in the development of the Diploma Primary Teacher Education (PTE)Curriculum designs under CBC framework for SNE&D
Component 2	
Key result Strengthening school management and accountability	Annual Schools Audit, Training of Headteachers and BOM on financial management, Documentary of SIP good practices, Appraisal of teachers under TPAD is ongoing and helping improve teacher's management.
Component 3	
Key result Strengthening capacity for evidence-based policy development at national level.	NESSP report finalised, Education sector analysis report finalised, NHIF and SFDE utilising NEMIS data for capitation, Capacity building of Education officers on NEMIS, MLA studies undertaken for pupils in class 3 and 7.
Component 4	
Key result Project Coordination, Communication, Monitoring and Evaluation	We undertook capacity building of RDE, CDEs, both MOE and TSC and CPCs, Hosted the GPE annual meeting, Implementation Support Mission in march, Internal Financial audit, Preparation of virtual Implementation Mission

1.9 Summary of Project Compliance:

The project has complied fully with the financing agreement with the IDA in terms of utilization of donor funds.

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

PRIEDE Project aims at improving Early Grade Mathematics (EGM) Competency and Strengthening Management Systems at School and National levels. The parent Project estimated to cost KShs 9,724,000,000 is funded jointly by GPE at KShs. 8, 840,000,000 and GOK- KShs. 884,000,000. In FY 2019/2020 the project received additional financing (AF) from the GPE to the tune of Ksh. 975, 000,000. The grant has enabled achievement of pupil/text book ratio of 1:1 in Mathematics for grade 1 and 2 as a result of distribution of 10 Million, five hundred thirty-nine thousand and seventy-three (10,539,073) books to pupils in grade 1 & 2 in public schools, as at June 15th, 2019. EGM books distributed in FY 2018/2019 were reviewed and aligned to CBC. Out of the distributed EGM books 21, 987 were adapted to suit special needs learners in the areas of Hearing Impaired (HI), Physically Impaired (PI), Low Vision (LV) and Totally Blind (TB). During the period under review an average of 102,000 Early Grade teachers were trained on EGM methodologies in alignment to Competency Based Curriculum (CBC). Curriculum support officers (CSOs) facilitated the provision of pedagogical support to the teachers through lesson observations, with a cumulative of 31,803 observation done as at 30th June 2019. The End line Early Grade Mathematics Assessment (EGMA) study was conducted during the period, which revealed that percentage of grade 2 learners achieving 50% benchmark in subtraction improved with 2.8% as compared to the Baseline study. Also during the period under review the project supported KICD to develop the PTE curriculum designs as well as adapt the same for learners with special needs. To consolidate the gains achieved from the project in learning of Mathematics at Early Grade, a manual was developed to guide on the roll out of School Based Teacher Support (SBTS) initiative.

In order to strengthen school management systems during the period under review, the project facilitated training for head teachers and five BOM members from the 4000 target SIP schools on preparation of school improvement plans and management of school resources. Two Hundred and fifty (250) school auditors were also capacity build on risk-based audit approach. The auditors then have been carrying out onsite full-fledged audits in the 4000 SIP schools to establish the accounting and management of resources at school level. The Kenya National Examination Council KNEC carried out KCPE school specific analysis in the years 2013, 2014, 2015, 2016, 2017, 2018 and 2019. The reports for the 4,000 pilot schools were disseminated on the KNEC website. Additionally, the KCPE specific analysis reports for more than 22,000 primary schools were made available on KNEC website (www.knec.ac.ke). The reports provide feedback to schools on the areas of strength and weakness. The reports provide schools with information needed to identify schools' priorities and strategies when developing a School Improvement Plan (SIP) with aim of improving on the learning achievement. In addition, the project supported TSC to carry out regular teacher appraisals using the TPAD system which enhanced instructional supervision among head teachers, CSOs, TSC field officers and this resulted in improved teacher preparation and increased pupil/teacher contact. The TPAD tools have been reviewed. Also, hardware and software infrastructure to support the online system at National and County levels procured. Based on the satisfactory SIPs, the Ministry disbursed KShs. 500,000 (1st Tranche KShs. 300,000 & 2nd Tranche 200,000) to each of the 4000

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The Project is well aligned with the Global Partnership for Education goals of ensuring that all children master basic literacy and numeracy by early grades; and building national systems that have capacity and integrity to deliver, support and assess education quality. Also, the project resources will be targeted more to the most marginalized groups, including schools with children with disabilities, schools in rural and nomadic communities in the Arid and Semi-Arid Lands (ASAL) with low female enrolment as well as schools in urban poor settlements.

1. Sustainability strategy and profile -

The Project will use Government systems to ensure sustainability of the activities beyond the project life. The Early grade Mathematics roll out is nation-wide, with all public schools being exposed to the EGM textbooks and teaching methodologies. This will sustain the gains realized.

2. Environmental performance and potentially affected social groups. Various strategies of addressing social issues have been clearly elaborated in the two documents.

An Environmental and Social Management Framework (ESMF) and VGMP have been prepared in consultation with key stakeholders

3. Employee welfare

A full-time project coordination unit has been put in place throughout the entire period of the project. This team comprises of Government employees who are facilitated in terms of their welfare by Government. However, for day-to-day operations, the Project caters for it.

4. Market place practices-

The Project strictly adheres to the GOK and World bank procurement practices and Issues of disclosure of information are strictly followed.

5. Community Engagements-

The implementation of project activities involved participation of a majority of key education stakeholders. Involvement of parents, Politicians, entire Government leadership has been quite helpful in sustaining the Project gains.

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Principal Secretary for the Ministry of State Department of Basic Education and the Project Coordinator for Kenya Primary Education Development 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 ended on 30 June 2020. 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 State Department of Basic Education and the Project Coordinator for Kenya Primary Education Development 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 State Department of Basic Education and the Project Coordinator for Kenya Primary Education Development 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 30 June 2020., and of the Project's financial position as at that date. The Principal Secretary for the Ministry of State Department of Basic Education and the Project Coordinator for Kenya Primary Education Development 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.

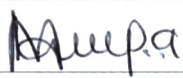
The Principal Secretary for the Ministry of State Department of Basic Education and the Project Coordinator for Kenya Primary Education Development Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project 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.

5. Approval of the Project financial statements

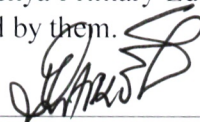
The Project financial statements were approved by the Principal Secretary for the Ministry of State Department of Basic Education and the Project Coordinator for Kenya Primary Education Development Project on 30 SEPT. 2020 and signed by them.



Principal Secretary
DR. BELIO KIPSANG



Project Coordinator
MARTHA EKIRAPA



Project Accountant:
FREDRICK AOKO
ICPAK Member Number: 17566

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target schools, totalling to KShs. 2 Billion. All the 4,000 (100 %) SIP schools reported to have completed utilizing the grant on implementing the identified top priorities. This enabled provision of supplementary text books benefiting a total of 1,934, 583 pupils in classes 3-8 and a total of 34,737 teachers. The grant has also enabled improvement of learning environment through renovation of classrooms, sanitary facilities and water harvesting in the schools. As a result, most of the schools recorded a positive deviation in 2017, 2018 and 2019 KCPE, implying that improved governance, management, and accountability systems at school level had proportionate positive influence on achievement of learning outcomes. Full-fledged audit of the 4,000 SIP schools was conducted. From the good practices emanating from the SIP process, Policy Guidelines and a simplified operational manual on management of learners' capitation grants and other school funds was developed.

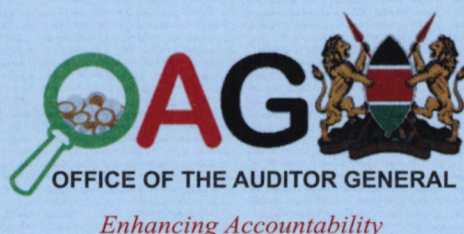
During the period under review, the project facilitated development of National Education Management Information System (NEMIS), a one stop centres for education data that is authentic and reliable in real time. This is key in policy development and decision making as it guides resource allocation, monitoring usage and promoting prudent utilization. Data collection exercise using NEMIS system developed started on 23rd January 2018 and is ongoing.

KNEC conducted studies to monitor learning which included: NASMLA class 3 studies (2016 & 2018), MLA form 2 (2018) and NASMLA class 7 (2019). The project also supported the development of the NESSP (2018-2022) and the ESA. A draft statistical booklet for 2017, 2018 and 2019 has been compiled. The project has also been supporting the conduct of education quality dialogues across the country, forums where reports on learning achievements from various studies are disseminated, stakeholders establish issues ailing the learning and identify strategies for improvement. The National Education Quality Assurance and Standards Framework (NEQASF) has been developed. The framework will operationalize the work of the Quality Assurance and Standards Directorate.

During the year under review, capacity building of the Project staff at the MOE Headquarters, Counties, TSC and KNEC was undertaken. This enhances institutional roles for sustainability of the gains realized from the Project implementation.

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON KENYA PRIMARY EDUCATION DEVELOPMENT PROJECT (GRANT NO. TFO18863) FOR THE YEAR ENDED 30 JUNE, 2020 – MINISTRY OF EDUCATION – STATE DEPARTMENT FOR EARLY LEARNING AND BASIC EDUCATION

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Primary Education Development Project set out on pages 1 to 24, which comprise the statement of financial assets as at 30 June, 2020, the statement of receipts and payments, statement of cash flow and the statement of comparative 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, Section 35 of the Public Audit Act, 2015 and Grant Agreement No.TFO18863 dated 4 June, 2015 between the Republic of Kenya and International Development Association. 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 effect of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Primary Education Development Project as at 30 June, 2020, 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 Agreements dated 4 June, 2015 and 6 January, 2020 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Unexplained Variances in Transfers to Other Government Entities

The statement of receipts and payments reflects transfers to other government entities totaling Kshs.130,955,840. Included in the balance are expenditures incurred by County Directors of Education totalling Kshs.24,672,162. However, aggregate balances derived from records maintained by the respective County Governments and submitted to the State Department for Early Learning and Basic Education amount to Kshs.63,543,005 which differs from the sum of Kshs.95,453,747 derived from the expenditure schedules

Report of the Auditor-General on Kenya Primary Education Development Project (Grant No. TFO18863) for the year ended 30 June, 2020 – Ministry of Education – State Department for Early Learning and Basic Education

availed for audit. The difference, amounting to Kshs.31,910,742, between the two sets of records has not been explained.

Consequently, the accuracy and completeness of transfers to other government entities totalling Kshs.130,955,840 reflected in the statement of receipts and payments for the year ended 30 June, 2020 has not been confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Primary Education Development Project 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.

Emphasis of Matter

Unreconciled Special Account Statement

The statement of receipts and payments for the year ended 30 June, 2020 reflects proceeds from domestic and foreign grants totalling Kshs.576,810,278 as further disclosed under Note 11.4 to the financial statements. However, the identical account balance reflected in the special accounts statement as at 30 June, 2020 amounted to Kshs.540,216,072 resulting to a variance of Kshs.36,594,206 which, however, had not been reconciled at the time of audit.

My Opinion is not qualified in respect to this matter.

Key Audit Matters

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

Other Matter

1. Budgetary Controls and Performance

The Project's final budget for the year under review totalled Kshs.562,417,338 and actual expenditure totalled Kshs.325,686,592 resulting to an under-expenditure of Kshs.236,730,746 equivalent to 58% of the budget.

The high under-absorption of the approved budget meant that many of the Project's activities planned for the year were not implemented. As a result, attainment of the Project's goals and objectives was hampered.

No plausible explanation has been provided by Management for the underperformance.

2. Unresolved Prior Year Matters

The audit report for the year ended 30 June, 2019 highlighted unreconciled differences totalling Kshs.5,259,898 between balances reflected in the financial statements and those reflected in the Integrated Financial Management Information System (IFMIS). Contrary to the reporting requirements set by the Public Sector Accounting Standard Board (PSASB). Management has not reported on the progress made in resolving the differences.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

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, except for the matters described in the Basis for Qualified Opinion and Basis for Effectiveness of Internal Controls, Risk Management and Governance sections of my report, nothing has come to my attention to cause me to believe that Internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. 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 the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

30 December, 2020

*Kenya Primary Development Project (PRIEDE)
Reports and Financial Statements
For the financial year ended 30 June, 2020*

7. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Note	FY 2019/20			FY 2018/19
		Receipts and payments controlled by the entity	Receipts and Payments made by third parties	Totals	Receipts and payments controlled by the entity
		Kshs	Kshs	Kshs	Kshs
RECEIPTS					
Receipts from Government of Kenya	11.3				50,487,150
Proceeds from Domestic and Foreign Grants	11.4	539,676,875	37,133,403	576,810,278	2,226,690,359
Miscellaneous Receipts	11.5	17,536,978		17,536,978	39,937,376
TOTAL REVENUES		557,213,853	37,133,403	594,347,256	2,317,114,885
PAYMENTS					
Purchase of goods and services	11.6	140,221,839	37,133,403	177,355,242	672,028,321
Acquisition of Non-financial Assets	11.7	17,375,510		17,375,510	144,699,263
Transfers to Other Government Entities	11.8	130,955,840		130,955,840	1,251,845,668
Other grants and transfers and payments	11.9				6,100,000
TOTAL PAYMENTS		288,553,189	37,133,403	325,686,592	2,074,673,251
SURPLUS/DEFICIT		268,660,664	-	268,660,664	242,441,634

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


Principal Secretary
DR BELIO KIPSANG


Project Coordinator
MARTHA EKIRAPA


Project Accountant
FREDRICK AOKO
ICPAK Member Number: 17566

*Kenya Primary Development Project (PRIEDE)
Reports and Financial Statements
For the financial year ended 30 June, 2020*

8. STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2020

	Note	FY 2019/20	FY 2018/19
		Kshs	Kshs
Bank Balances	11.11A	695,286,660	338,104,683
Cash Balances	11.11B	-	-
Cash Equivalents (Short term deposits)		-	-
Total Cash and Cash equivalents		695,286,660	338,104,683
Outstanding Imprests & Advances	11.11C	41,689,505	130,210,818
TOTAL FINANCIAL ASSETS		736,976,165	468,315,501
Fund balance b/fwd	11.12	468,315,501	225,873,867
Surplus / (deficit) for the year		268,660,664	242,441,634
Prior Year Adjustment			-
NET FINANCIAL POSITION		736,976,165	468,315,501

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 SEPT 2020 and signed by:


Principal Secretary
DR BELIO KIPSANG


Project Coordinator
MARTHA EKIRAPA


Project Accountant:
FREDRICK AOKO
ICPAK Member Number:17566

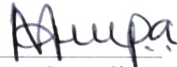
*Kenya Primary Development Project (PRIEDE)
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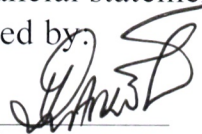
9. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019- 2020	FY 2018/19
		Kshs	Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts for operating income			
Receipts from Government of Kenya	11.3		50,487,150
Proceeds from Domestic and Foreign Grants	11.4	539,676,875	1,837,824,007
Miscellaneous Receipts	11.5	17,536,978	39,937,376
		557,213,853	1,928,248,533
Payments for operating expenses			
Use of goods and services	11.6	(140,221,839)	(396,282,526)
Transfers to Other Government Entitiess	11.8	(130,955,840)	(1,251,845,668)
Other Grants and Other Payments	11.9		(6,100,000)
		(271,177,679)	(1,654,228,194)
Adjusted for:			
Change in Imprests & Advances		88,521,313	(99,313,367)
Adjustments during the year	11.13		(200,262,506)
Net cashflow from operating activities		374,557,487	173,071,200
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Non-financial Assets	11.7	(17,375,510)	(31,578,706)
Net cash flows from Investing Activities		(17,375,510)	(31,578,706)
NET INCREASE IN CASH AND CASH EQUIVALENT		357,181,977	141,492,495
Cash and cash equivalent at BEGINNING of the year		338,104,683	196,612,188
Cash and cash equivalent at END of the year		695,286,660	338,104,683

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 SEPT. 2020 and signed by:


Principal Secretary
DR BELIO KIPSANG


Project Coordinator
MARTHA EKIRAPA


Project Accountant:
FREDRICK AOKO
ICPAK Member Number: 17566



*Kenya Primary Development Project (PRIEDE)
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For the financial year ended 30 June, 2020*

10. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

Consolidated	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Utilisation Variance	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts/Payments Item						
Receipts						
Receipts from Government of Kenya						
Proceeds from Domestic and Foreign Grants	1,300,000,000	737,582,662	562,417,338	576,810,278	(14,392,940)	103%
Miscellaneous receipts	-		-	17,536,978	-	
Total Receipts	1,300,000,000	737,582,662	562,417,338	594,347,256	(14,392,940)	
Payments						
Use of goods and services	1,107,000,000	737,582,662	369,417,338	177,355,242	192,062,096	48%
Acquisition of Non-financial Assets	30,000,000		30,000,000	17,375,510	12,624,490	58%
Transfers to Other Government Entities	163,000,000		163,000,000	130,955,840	32,044,160	80%
Other Grants and Other Payments						
Total Payments	1,300,000,000	737,582,662	562,417,338	325,686,592	236,730,746	

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


Principal Secretary
DR BELIO KIPSANG


Project Coordinator
MARTHA EKIRAPA


Project Accountant:
FREDRICK AOKO
ICPAK Member Number: 17566

11. NOTES TO THE FINANCIAL STATEMENTS

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

11.1 Basis of Preparation

11.1.1 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.

11.1.2 Reporting entity

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

11.1.3 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.

11.2 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.

• 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.

• External Assistance

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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

- **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 recognised in the financial statements the time associated cash is received.

b) Recognition of payments

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

- **Compensation of employees**

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

- **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.

- **Interest on borrowing**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **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.

- **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.

c) 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.

d) Cash and cash equivalents

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

Restriction on cash

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) 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.

f) 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 of this financial statement is a register of the 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

g) 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.

h) 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.

i) 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.

j) 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 party's column in the statement of receipts and payments.

During the year Kshs 37,133,403 being grant disbursements were received in form of direct payments from third parties.

k) 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.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) 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.

m) 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, 2020

n) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.3 RECEIPTS FROM GOVERNMENT OF KENYA

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

	2019/20	2018/19	Cumulative to Date	Cumulative Prior Year
	KShs	KShs	KShs	KShs
<i>Counterpart funding through State Department for Basic Education</i>				
Counterpart funds Quarter 1	-	-	-	
Counterpart funds Quarter 2		50,487,150	129,889,903	129,889,903
Counterpart funds Quarter 3	-	-	-	
Counterpart funds Quarter 4			64,111,240	64,111,240
			-	
<i>Other transfers from government entities</i>			-	
State Department for Environment			-	
State Department for Natural Resources			-	
		<u>50,487,150</u>	<u>194,001,143</u>	<u>194,001,143</u>

*Kenya Primary Development Project (PRIEDE)
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.4 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the 12 months to 30 June 2020, we received grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants Received as direct payment*	Grants in kind	Total amount in KShs	
						FY 2019/20	FY 2018/19
			KShs	KShs	KShs	KShs	KShs
Grants Received from Partners of Education							
GPE-Category 1			539,676,875	37,133,403	-	576,810,278	2,206,531,336
GPE-Category 2		-	-		-		20,159,024
Total			539,676,875	37,133,403	-	576,810,278	2,226,690,360

* The direct payment grants represent payments for goods and services done directly by the donor on behalf of the project. Projects should ensure that the adequate documents and support document is requested from the donors to support this grant.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.5 MISCELLANEOUS RECEIPTS

			TOTAL RECEIPTS		Cumulative to- date	Cumulative Prior Year
			FY 2019/20	FY 2018/19		
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	KShs	KShs	KShs	KShs
Cash deposits				1,463,550	3,288,173	1,824,622
Net cashbook adjustments				3,055,997	3,490,539	434,542
Other Counties Refund				4,966,388	4,966,388	-
Counties Refund	17,536,978		17,536,978	30,451,440	381,848,217	364,311,239
	<u>17,536,978</u>		<u>17,536,978</u>	<u>39,937,376</u>	<u>393,593,317</u>	<u>366,570,403</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.6 PURCHASE OF GOODS AND SERVICES

	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		Cumulative to- date	Cumulative Prior Year
			FY 2019/20	FY 2018/19		
			KShs	KShs		
Utilities, supplies and services		-	-	19,307,172	73,928,093	73,928,093
Communication, supplies and services	2,002,000		2,002,000	5,010,852	12,501,698	10,499,698
Domestic travel and subsistence	16,989,040	-	16,989,040	72,057,157	247,931,574	230,942,534
Foreign travel and subsistence	1,176,960	-	1,176,960	21,677,690	48,564,028	47,387,068
Printing, advertising and information supplies & services	30,323,716	37,133,403	67,457,119	356,990,310	941,523,108	874,065,989
Training expenses		-	-	47,865,866	83,319,173	83,319,173
Hospitality supplies and services	3,892,827		3,892,827	6,557,629	86,167,742	82,274,915
Asset	-		-	-	-	-
Transfer to Foreign affairs	-			-	2,377,593	2,377,593
Other operating expenses - flights	1,101,100		1,101,100	1,941,790	5,393,150	4,292,050
Routine maintenance – vehicles and other ICT equipment	32,119,478		32,119,478	20,136,082	54,835,988	22,716,510
Consultancy services: – Technical and professional services	52,616,718		52,616,718	120,483,774	485,213,431	432,596,713
			-		-	
Total	<u>140,221,839</u>	<u>37,133,403</u>	<u>177,355,242</u>	<u>672,028,321</u>	<u>2,041,755,578</u>	<u>1,864,400,335</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.7 ACQUISITION OF NON-FINANCIAL ASSETS

			Total Payments		Cumulative to-date	Cumulative Prior Year
			FY 2019/20	FY 2018/19		
	Payments made by the Entity in Cash	Payments made by third parties				
	KShs	KShs	KShs	KShs	KShs	KShs
Purchase of vehicles & other transport equipment			-		22,440,720	22,440,720
ICT Equipment, software and ict asset	31,578,706	113,120,557		144,699,263	420,026,883	420,026,883
Purchase of office furniture & general equipment	17,375,510	-	17,375,510		27,501,687	10,126,177
Acquisition of other intangible assets			-		-	
Total	<u>48,954,216</u>	<u>113,120,557</u>	<u>17,375,510</u>	<u>144,699,263</u>	<u>469,969,290</u>	<u>452,593,780</u>

Kenya Primary Development Project (PRIEDE)
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
11.8 TRANSFERS TO OTHER GOVERNMENT ENTITIES

During the 12 months to 30 June 2020, we transferred funds to reporting government entities as shown below:

	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		Cumulative to-date	Cumulative Prior Year
			FY 2019/20	FY 2018/19		
	KShs	KShs	KShs	<u>KShs</u>	<u>KShs</u>	<u>KShs</u>
Transfers to National Government entities						
Kenya National Examination Council	86,219,097	-	86,219,097	-	201,056,116	114,837,019
Teachers Service Commission	20,064,581		20,064,581	74,076,754	143,730,401	123,665,820
	<u>106,283,678</u>	=	<u>106,283,678</u>	<u>74,076,754</u>	<u>344,786,517</u>	<u>238,502,839</u>
Transfers to County Government						
Various county Governments	24,672,162		24,672,162	1,177,768,914	2,874,770,619	2,850,098,457
County Refunds		-		-	-	-
	<u>24,672,162</u>	=	<u>24,672,162</u>	<u>1,177,768,914</u>	<u>2,874,770,619</u>	<u>2,850,098,457</u>
TOTAL	<u>130,955,840</u>	=	<u>130,955,840</u>	<u>1,251,845,668</u>	<u>3,219,557,136</u>	<u>3,088,601,296</u>

We have confirmed that the beneficiary institutions have received the funds and have recorded these as inter-entity receipts. We have attached a summary schedule of confirmations as per VBMS as an Appendix to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.9 OTHER GRANTS AND TRANSFERS AND PAYMENTS

	Payments made by the Entity in Cash	Total Payments		Cumulative to-date	Cumulative Prior Year
		FY 2019/20	FY 2018/19		
	KShs	KShs	KShs	KShs	KShs
Transfers to lower levels of government e.g schools			6,100,000	1,999,800,000	1,999,800,000
Miscellaneous payments		-		-	
Total			<u>6,100,000</u>	<u>1,999,800,000</u>	<u>1,999,800,000</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.10 CASH AND CASH EQUIVALENTS CARRIED FORWARD

CASH AND CASH EQUIVALENTS C/FWD	FY 2019/20	FY 2018/19
	KShs	KShs
Bank accounts (Note 11A)	695,286,660	338,104,683
Cash in hand (Note 11B)	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances (Note 11C)	41,689,505	130,210,818
Total	<u>736,976,165</u>	<u>468,315,501</u>

The project has 3 project accounts spread within the project implementation area and 2 foreign currency designated accounts managed by the National Treasury as listed below:

11.11. A Bank Accounts

Project Bank Accounts

10 A Bank Accounts	FY 2019/20	FY 2018/19
<u>Foreign Currency Accounts</u>	KShs	KShs
Central Bank of Kenya [A/c NO: 1000241349]	205,849.81	205,850
Central Bank of Kenya [A/c NO: 1000241322]	970,854.04	
Total Foreign Currency balances	<u>1,176,703.85</u>	<u>205,850</u>
<u>Local Currency Accounts</u>		
Central Bank of Kenya [A/c No 1000387947]	585,962,074	190,207,085
Central Bank of Kenya [A/c No 1000387955]	98,359,842	137,436,104
Central Bank of Kenya [A/c No 1000387904]	10,964,744	10,461,495
Total local currency balances	<u>695,286,660</u>	<u>338,104,683</u>
Total bank account balances	<u>695,286,660</u>	<u>338,104,683</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30 June 2020 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.

Special Deposit Accounts Movement Schedule

	FY 2019/20	FY 2018/19
	KShs	KShs
(i) A/C Name [A/c NO: 1000241349]		
Opening balance	205,843	205,843
Total amount deposited in the account	6.81	-
Total amount withdrawn (as per Statement of Receipts & Payments)		
Closing balance (as per SDA bank account reconciliation attached)	<u>205,849.81</u>	<u>205,843</u>
(ii) A/c Name [A/c No 1000241322]		
Opening balance (as per the SDA reconciliation)	-	414,449
Total amount deposited in the account	970,854.04	18,196,277
Total amount withdrawn (as per Statement of Receipts & Payments)		(18,610,726)
Closing balance (as per SDA bank account reconciliation attached)	<u>970,854.04</u>	<u>0</u>

The Special Deposit Account(s) reconciliation statement(s) has (have) been attached as *Appendix xx* support these closing balances.

11.11 B Cash In Hand

	Location 2
	Total cash balances

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.11C OUTSTANDING IMPRESTS AND ADVANCES

<i>Name of Officer or Institution</i>	<i>Amount Taken</i>	<i>Due Date of Surrender</i>	<i>Amount Surrendered</i>	<i>Balance 2020</i>	<i>Balance 2019</i>
	<i>Kshs</i>		<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
	<i>a</i>		<i>b</i>	<i>c=a-b</i>	
<i>Various county Governments</i>	162,020,462		149,042,740	12,977,722	95,453,747
<i>TSC</i>	38,473,618		20,064,581	18,409,037	9,208,246
<i>KNEC</i>	96,521,843		86,219,097	10,302,746	25,548,825
<i>Outstanding staff Imprest</i>	-				
<i>Receivable from SEQUIP</i>	-				-
	297,015,923		255,326,418	41,689,505	130,210,818

11.12 FUND BALANCE BROUGHT FORWARD

CASH AND CASH EQUIVALENTS B/FWD	2019/20	2018/19
	KShs	KShs
Bank accounts	338,104,683	196,612,188
Outstanding imprests and advances	130,210,818	229,524,185
County refunds		(35,417,828)
TSC EXPENDITURE		(28,290,904)
KNEC expenditure		(136,553,774)
Total	468,315,501	225,873,867

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.13 PRIOR YEAR ADJUSTMENT

	Balance b/f FY 2018/2019 as per Financial statements	Adjustments	Adjusted Balance b/f FY 2018/2019
Description of the error	Kshs	Kshs	Kshs
Bank account Balances	-	-	-
Cash in hand	-	-	-
Accounts Payables	-	-	-
Receivables	(200,262,506)	-	(200,262,506)
Others (<i>specify</i>)	-	-	-
	(200,262,506)	-	(200,262,506)

11.14 CHANGES IN RECEIVABLE

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Outstanding Imprest/advance as at 1 st July 2019 (A)	130,210,818	229,524,185
Imprest/advance issued during the year (B)	166,805,105	1,119,309,285
Imprest/advance surrendered during the Year (C)	(255,326,418)	(1,218,622,652)
Net changes in account receivables D= A+B-C	41,689,505	130,210,818

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11.15 OTHER IMPORTANT DISCLOSURES

PAYMENTS MADE BY THIRD PARTIES	FY 2019/2020	FY 2018/2019
	Kshs	Kshs
Compensation of Employees		
Use of goods and services	37,133,403	275,745,795
Subsidies	-	-
Transfers to Other Government Units	-	-
Other grants and transfers	-	-
Social Security Benefits	-	-
Acquisition of Assets	-	-
Finance Costs, including Loan Interest	-	-
Repayment of principal on Domestic and Foreign borrowing	-	-
Other Payments	-	-
TOTAL	37,133,403	275,745,795

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11.6 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.

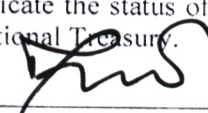
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Unreconciled cash and cash equivalent's balance	The statement of financial assets as at 30 th June 2019 reflects cash and cash equivalents totalling Kshs 338,104,683 as further disclosed in Note 8.10 to the financial statements. The balance includes Kshs 76,427,428 (Account A- Kshs 72,252,250, Account B Kshs 447,999 and GOK Account – 3,726,879) being payments in the cashbook not yet captured in the bank statement. In addition, outstanding payments totalling Kshs 4,766,183 reflected in the cashbook are not reflected in the bank statement.	The outstanding payment totaled to Kshs.76,427,427. 64 being payment cashsbook not in bank statement cleared in the month of July 2019. Most of the payments could not clear on 30 th June 2019 because the day was on a Sunday and as a result all the transactions that were done went through in July, 2019 as per our bank statement.	HAU	Resolved	30 June 2020

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Cash and Bank Balances	Excluded from cash and cash equivalents balance amounting to Kshs to Kshs 196,612,188 as at 30 th June 2019 was Kshs 1,326,538 being payments in bank statement not captured in the cashbook. Some of the payments dated back to December 2017. No explanations were provided by management on why the two sets of records were not reconciled. As a result, the accuracy and completeness of the cash and bank balances totalling Kshs 338,104,683 as at 30 th June 2019 could not be confirmed	Kshs 1,389,594 stated as outstanding in the bank reconciliation for more than two months relates to taxes which had gone through the internet banking. The payments been cleared.	Project Accountant	Resolved	30 June 2020

Guidance Notes:

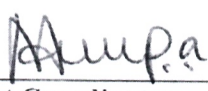
- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed 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

30 SEPT. 2020

Date



 Project Coordinator

30 SEPT. 2020

Date

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ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities					
Proceeds from domestic and foreign grants	562,417,338	539,676,875	22,740,463	96%	
Proceeds from borrowings	-	-	-		
Miscellaneous receipts		15,568,010			
Total Receipts	562,417,338	555,244,885	22,740,463		
Payments					
Compensation of employees	-	-	-	-	
Purchase of goods and services	369,417,338	140,221,839	229,195,499	38%	Lack of a budget line in the 1 st quarter and 2 nd quarter in the year and Covid 19 epidemic hindered the implementation of the planned activities.
Acquisition of non-financial assets	30,000,000	17,375,510	12,624,490	58%	Lack of a budget line in the 1 st quarter and 2 nd quarter in the year and Covid 19 epidemic hindered the implementation of the planned activities.
Transfers to other government entities	163,000,000	130,955,840	32,044,160	80%	
Other grants and transfers					
Total payments	562,417,338	288,553,189	273,864,149		

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ANNEX 2A - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2020	Outstanding Balance 2019	Comments
	a	b	c	d=a-c		
Supply of services						
1. City Lodge hotel	350,000		-	350,000		Inadequate supporting documents
2. Kenya School of Government Embu	108,000		-	108,000		Invoice was received after the closure of the year
3.						
Sub-Total	458,000			458,000		
Grand Total	458,000			458,000		

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ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost (KShs) 2019/2020	*Purchases/ Additions in the Year (KShs) 2019/20	**Disposals in the Year (KShs) 2019/20	Transfers in/(out) Kshs 2019/20	Closing Cost (KShs) 2020
	(a)	(b)	(c)	(d)	(e)= (a)+ (b)- (c)+(-)d
Land					
Buildings and structures					
Transport equipment	22,440,720	-	-	-	22,440,720
Office equipment, furniture and fittings	10,126,177	17,375,510	-	-	34,501,687
ICT Equipment,	420,026,883	-	-	-	420,026,883
Other Machinery and Equipment					
Heritage and cultural assets					
Biological assets					
Infrastructure assets roads, rails					
Intangible assets					
Work in Progress					
Total	452,593,780	17,375,510			476,969,290

Notes

** Purchases/Additions in the year reconciled to the amount in Statement of Receipts and Payments*

*** The disposal amount to be disclosed in this register is the cost that the asset was acquired at and not the price at which it has been sold.*

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations
- iii. Cash Count Certificate
- iv. Special Deposit Account(s) reconciliation statement(s)

