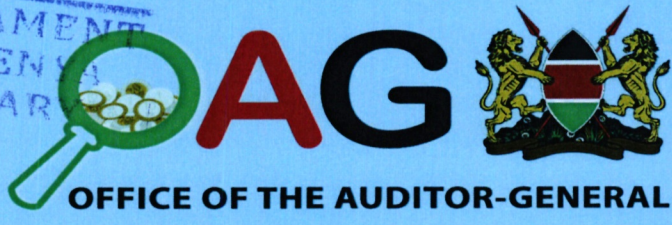


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**REPORT**

THE NATIONAL ASSEMBLY  
PAPERS LAID  
OF  
DATE: 25 FEB 2021 DAY: Thursday

TABLED BY: LOM

CLERK-AT THE-TABLE: Halwa Gulman

**THE AUDITOR-GENERAL**

**ON**

**PROGRAMME FOR RURAL OUTREACH OF  
FINANCIAL INNOVATIONS AND  
TECHNOLOGIES (PROFIT)  
(IFAD LOAN NO.814-KE AND  
GRANT NO.1218-KE)**

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

**THE NATIONAL TREASURY**





**PROGRAMME FOR RURAL OUTREACH OF  
FINANCIAL INNOVATIONS AND TECHNOLOGIES (PROFIT)**

**Implemented by  
Directorate of Budget, Fiscal and Economic Affairs  
The National Treasury  
Republic of Kenya**

**IFAD LOAN NO. 814-KE; IFAD GRANT NO.1218-KE**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL PERIOD ENDED  
JUNE 30, 2020**

**ISSUED ON: SEPTEMBER, 2020**

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

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**a) PROGRAMME INFORMATION AND OVERALL PERFORMANCE**

**1.1 Name and registered office**

**Name:** Programme for Rural Outreach of Financial Innovations and Technologies (PROFIT)

**Address:** The Programme Coordinating Unit  
 Directorate of Budget, Fiscal and Economic Affairs  
 The National Treasury,  
 P.O. Box 30007 00100,  
 Nairobi – Kenya.  
 Tel: +254 20 2252299

**1.2 Programme Information**

Programme Start Date:	22/12/2010
Programme End Date:	30/06/2019
Programme Coordinator:	Mr John Kabutha
Programme Financier:	The Programme is funded by the Government of Kenya (GOK) and International Fund for Agricultural Development (IFAD)

**1.3 Programme Overview**

Line Ministry/State Department of the Programme	The Programme is under the supervision of the Budget Fiscal & Economic Affairs Coordinatorte under the National Treasury
Programme number	IFAD Loan No. 814-KE; IFAD Grant No.1218-KE
Goal	The overall goal of the of the Programme is to contribute to the reduction of poverty in the rural areas of Kenya
Objectives	The objective of the Programme is to increase incomes of the target group as a result of improved production, productivity and marketing in the various rural enterprise sectors. The Programme aims to achieve this through an enhanced and systematically sustained access of poor rural households to a broad range of financial services, coupled with the necessary capacity building. PROFIT also aims to contribute to policy development in the financial sector.

<p>Other important background information of the Programme</p>	<p>The Programme consists of the following three Components and their associated sub-components:</p> <p style="text-align: center;"><b>Rural Finance Outreach and Innovation Component</b></p> <p>a) The Risk Sharing Facility (RSF) sub-component is designed to enhance the risk appetite of commercial banks for rural agricultural lending. It aims to leverage substantial commercial funds;</p> <p>b) The Credit Facility (CF) sub-component is for Deposit Taking Microfinance Institutions (DTMs) that need immediate access to funds for expansion of their rural and agricultural portfolios;</p> <p>c) The Innovation facility (IF) sub-component is designed to develop and pilot-test innovations and the use of technology in the financial sector.</p> <p style="text-align: center;"><b>Technical Support Services</b></p> <p>a) The Business Support Service sub-component is aimed at the Programme’s target group at the rural/village level with limited business experience. The sub-component also aims to strengthen the management and governance of selected rural Savings and Credit Co-operative Organizations (SACCOs) to enhance their efficiency;</p> <p>b) The Financial graduation (FG) sub-component aims to facilitate the vulnerable women and youth acquire financial graduation through skills training and asset creation. It will, eventually help GOK to substantially reduce its social transfer payment liabilities.</p> <p style="text-align: center;"><b>Programme Management</b></p> <p>This component aims at ensuring an efficient and cost effective use of Programme and complementary donor resources to achieve the development objective.</p>
<p>Situation that the Programme was formed to intervene</p>	<p>PROFIT’s aim is to benefit at least 683,000 smallholder farmers, small pastoralists, artisanal fishermen, women, landless labourers and the youth in rural areas of Kenya. The Programme has national coverage but is designed only for rural areas of the country. Special focus is given to areas with agricultural potential, areas of high poverty incidence, the Arid and Semi-Arid Lands (ASAL) region. In addition, synergies are sought with IFAD’s on-going Programmes.</p>
<p>Programme duration</p>	<p>Started on 22 December 2010 to 30 June 2019 with a closure date of 31 December 2019</p>

#### **1.4 Bankers**

Central Bank Of Kenya  
I & M Bank – U.S Dollar Designated Account No.00100575961211  
I & M Bank House  
2<sup>nd</sup> Ngong Avenue  
P.O. Box 30238 00100  
Nairobi - Kenya

The Co-operative Bank of Kenya – Programme Account No.01141419559400  
Co-operative House Branch  
Haile Selassie Avenue  
P.O. Box 48231 00100  
Nairobi – Kenya  
Tel: +254 20 3276000

#### **1.5 Auditors**

Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084 00100  
Nairobi – Kenya  
Tel: +254 20342330

#### **1.6 Governance, Roles and Responsibilities**

Governance relates to the way power and authority is exercised and distributed within the Programme. PROFIT's policy of good governance is about making sure that this power and authority is not concentrated in the hands of a single individual or group. Therefore checks and balances have been put in place within the Programme to separate and balance the power between the Programme Coordinating Unit (PCU) and the Programme Steering Committee (PSC) and has clear lines of accountability between them. PROFIT recognizes that sound governance arrangements are necessary to support effective financial management and to ensure proper accountability over the use of Programme funds and effective implementation. PROFIT's governance structure is as follows:

##### **1.6.1 The Programme Steering Committee (PSC)**

The programme steering committee is the top decision making organ of the programme. It is composed as follows:

(a) Programme Steering Committee composed as follows:

- Cabinet Secretary, the National Treasury – Chair;
- The Principal Secretary, the National Treasury – Alternate Chair;
- Principal Secretary, State Department of Agriculture – Member;
- Principal Secretary, Ministry of Industrialization and Enterprise – Member
- Governor, Central Bank of Kenya - Member

PSC has overall oversight responsibility for the Programme and its role includes the following:

- Advise the Programme Coordinating Unit (PCU) and the other PROFIT implementing partners on policy issues to ensure that activities undertaken are in line with national policies and procedures;
- Encourage coordination with other rural financial sector donors and programmes to build synergies and avoid duplication;
- Approve Programme Annual Work Plans and Budget (AWPB);
- Approve Programme allowances for seconded staff;
- Approve any other Programme allowance as and when needed;
- Receive and review all Programme progress reports.

(b) Technical Committee composed as follows:

- Director General, Budget Fiscal and Economic Affairs, the National Treasury – Chair
- Director of Bank Supervision, Central Bank of Kenya – Member
- Director, Resource Mobilization, the National Treasury – Member
- Programme Coordinator, PROFIT

#### **1.6.2 The Programme Coordinating Unit (PCU)**

The Programme Coordinating Unit (PCU) is housed within Coordinator ate of Budget, Fiscal and Economic Affairs, the National Treasury. PCU is responsible for the day to day running of the Programme. Its specific roles include:

- i. Secretariat to the Programme Steering Committee;
- ii. Day-to-day operational responsibility for PROFIT implementation;
- iii. Inter-linkage between different arms of government, IFAD, development partners, and private sector organizations involved in rural finance activities;
- iv. Compilation of PROFIT Annual Work plan Budget (AWPB);
- v. Prepare and submit comprehensive and informative programme implementation progress and financial reports to GOK and IFAD;
- vi. Work with on-going IFAD initiatives in the country to establish relevant linkages and synergies;
- vii. Disburse and control the flow of funds, under various contractual and partnership agreements;
- viii. Manage programme finances prudently and consistent with the GOK and IFAD requirements and internationally acceptable practices;
- ix. Develop and implement a Communication and Knowledge Management strategy in collaboration with the IFAD country office Knowledge Management unit;
- x. Monitor and evaluate all activities under the Programme;
- xi. Ensure that all contracts with the PCU for the implementing partners are performance-based contracts (PBCs);

The overall responsibility of the PCU lies with the Programme Coordinator who is deputized by the Programme Financial Controller who is responsible for financial management and administration. Other PCU staff include: Monitoring and Evaluation Officer, Rural Finance Officer, Accountant, Administrative Assistant and two Drivers. In addition, the National Treasury has contracted the Alliance for a Green Revolution in Africa (AGRA) for the management of the Risk Sharing Facility (RSF) and Technical Service Provision (TSP). In its

**PROFIT**  
**Reports and Financial Statements**  
**For the financial period ended June 30,2020**

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capacity as the RSF and TSP manager, AGRA works in collaboration with the PCU for the day to day operations of the RSF and TSP sub-components of PROFIT.

Further, the programme has contracted BRAC USA to manage the Financial Graduation sub component, providing oversight to implementing partners BOMA and Care Kenya. BRAC USA works closely with the PCU for the day to day operations of the Financial Graduation sub component.

**1. Programme Coordinating Unit (PCU)**

This team is based in Nairobi and is responsible for the Programme management and coordination functions. The PCT comprises of the Programme Coordinator and a team of Technical Officers. The PCT is also supported by other administrative staff.

This key staffs, which form the Programme coordinating team that is involved in the day to day management of the Programme and its implementation, are:

<b>Name</b>	<b>Title designation</b>	<b>Responsibilities</b>
John Kabutha	Program Coordinator	Coordination of the day to day activities of the Program.
Njeru Michael.	Financial Controller	Coordination of the finance functions of the Program.
Obango Billy	Accountant	Management of the finance functions of the Program.
Esther Waweru	Administrative Assistant	Management of the administrative and procurement functions of the Program.

**PROFIT**  
**Reports and Financial Statements**  
**For the financial period ended June 30,2020**

**1.7 Funding summary**

The Programme is for duration of was for 6 years from December 2010 to 30 June 2019. The approved budget of US\$ 83.217M as highlighted in the table below:

Table 1 – Summary Programme Costs by Component by Financier (USD'000s)

Component	IFAD Loan	IFAD Grant	Private Sector (leverage)	AGRA	GOK	Total
<b>1. Rural Finance Outreach &amp; Innovation</b>						
Risk Sharing Facility	10,000	-	50,000	2,750	-	62,750
Credit Facility	7,500	-	-	-	-	7,500
Innovation Facility	-	-	-	-	-	-
<b>Sub-total</b>	<b>19,200</b>	<b>-</b>	<b>50,000</b>	<b>2,750</b>	<b>-</b>	<b>70,250</b>
<b>2. Technical Support Services</b>						
Business Support Services	5,000	-	-	-	-	5,000
Financial Graduation	2,000	600	-	-	-	2,600
<b>Sub-total</b>	<b>7,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,600</b>
<b>3. Programme Management</b>	3,105	-	-	-	561	3,666
<b>TOTAL PROGRAMME COSTS</b>	<b>27,605</b>	<b>600</b>	<b>50,000</b>	<b>2,750</b>	<b>561</b>	<b>81,516</b>

Table 2 – Summary Programme Costs by Category by Financier (Kshs Million)

Category	IFAD Loan	IFAD Grant	Private Sector (leverage)	AGRA	GOK	Total
I. Vehicles, equipment and materials	202	-	-	-	-	202
II. Technical Assistance, Training etc.	10,292	600	-	-	-	10,892
III. Line of Credit	6,890	-	-	-	-	6,890
IV. Risk Sharing Facility	7,541	-	50,000	2750	-	60,291
V. Salaries and Allowance	1,832	-	-	-	-	1,832
VI. Incremental Operating Costs	848	-	-	-	561	1,409
<b>TOTAL PROGRAMME COSTS</b>	<b>27,605</b>	<b>600</b>	<b>50,000</b>	<b>2750</b>	<b>561</b>	<b>81,516</b>

Table3 – Summary of Programme Loan and Grant Disbursements (USD'000s)

Financier	Allocation	Spent/ Disbursed To -date	% Disbursed	Available Balance
IFAD Loan	29,722	28,025	96%	1,697
IFAD Grant	608	481	79%	127
GOK Counterpart Funds		1,492		
<b>TOTAL</b>	<b>30,891</b>	<b>29,898</b>	<b>96%</b>	

**PROFIT**  
**Reports and Financial Statements**  
**For the financial period ended June 30, 2020**

**Loan/ Grant summary**

Source funds	of	Donor Commitment-		Amount received to date – (31 <sup>st</sup> December, 2019)		Undrawn balance to date (31 <sup>st</sup> December, 2019)	
		<i>Donor currency USD</i>	<i>KShs</i>	<i>Donor currency (USD)</i>	<i>KShs</i>	<i>Donor currency (USD)</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>GRANT SUMMARY</b>							
IFAD Grant		608,000	60,800,000	581,000	58,100,000	9,000	900,000
<b>Total Grants</b>		<b>608,000</b>	<b>60,800,000</b>	<b>581,000</b>	<b>58,100,000</b>	<b>9,000</b>	<b>900,000</b>
<b>LOAN SUMMARY</b>							
IFAD Loan		29,722,000	2,972,200,000	28,025,000	2,802,500,000	1,697,000	169,700,000
<b>Total Loans</b>		<b>29,722,000</b>	<b>2,972,200,000</b>	<b>28,025,000</b>	<b>2,802,500,000</b>	<b>1,697,000</b>	<b>169,700,000</b>

### **1.8 Receipts Utilisation**

The Programme received 203,258,004 against a final budget of KShs 365,000,000. This represented utilisation of 56% mainly as a result of exchange differences.

### **Payments Utilisation**

The Programme paid KShs 166,821,719 against a final budget of KShs 365,000,000. This represented utilisation of 46%.

### **Challenges**

The table below summarises the challenges encountered and recommends way forward:

	Challenges	Recommendation/Way Forward
1.	Sustainability of the Programme initiatives post PROFIT	The Government is putting into place mechanisms to tap private sector financial leverage towards PROFIT target beneficiaries. In this respect the Kenya Credit Guarantee Scheme is in the initial stages of design with an intervention under PROFIT II expected to fast tract the actualization.

### **1.9 Summary of Programme Compliance**

The Program has ensured that all its activities carried out are within the laws of the Republic of Kenya and that all regulations and procedures have been followed. In cases of inconsistency between the GOK Regulations and those of the donors, the latter have been applied.

**b) STATEMENT OF PROGRAMME MANAGEMENT RESPONSIBILITIES**

The Principal Secretary National Treasury and the Programme Coordinator for Programme for Rural outreach of Financial Innovations and Technologies (PROFIT) are responsible for the preparation and presentation of the Programme's financial statements, which give a true and fair view of the state of affairs of the Programme for and as at the end of the financial year ended on June 30, 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 Programme; (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 Programme; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

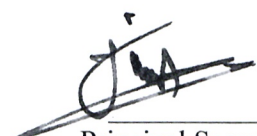
The Principal Secretary National Treasury and the Programme Coordinator for PROFIT accept responsibility for the Programme's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

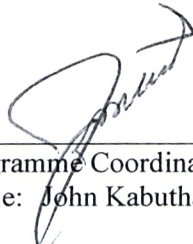
The Principal Secretary National Treasury and the Programme Coordinator for PROFIT are of the opinion that the Programme's financial statements give a true and fair view of the state of Programme's transactions during the financial year ended June 30, 2020 and of the Programme's financial position as at that date. The Principal Secretary National Treasury and the Programme Coordinator for PROFIT further confirm the completeness of the accounting records maintained for the Programme, which have been relied upon in the preparation of the Programme financial statements as well as the adequacy of the systems of internal financial control.


The Principal Secretary National Treasury and the Programme Coordinator for PROFIT confirm that the Programme has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Programme funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

**Approval of the Programme financial statements**

The Programme financial statements were approved by the Principal Secretary National Treasury and the Programme Coordinator for PROFIT on 30<sup>th</sup> June 2020 and signed by them.

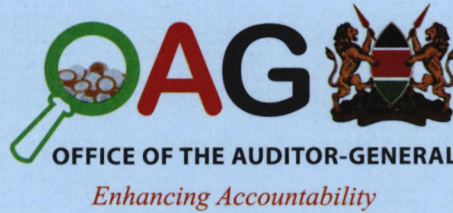
  
\_\_\_\_\_  
Principal Secretary  
Name: Julius Muia, PhD, CBS

  
\_\_\_\_\_  
Programme Coordinator  
Name: John Kabutha

  
\_\_\_\_\_  
Accountant:  
Name: Obango Billy, CPA  
ICPAK Member Number: 17253

# REPUBLIC OF KENYA

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON PROGRAMME FOR RURAL OUTREACH OF FINANCIAL INNOVATIONS AND TECHNOLOGIES (PROFIT) (IFAD LOAN NO.814-KE AND GRANT NO.1218-KE) FOR THE YEAR ENDED 30 JUNE, 2020-THE NATIONAL TREASURY**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of Programme for Rural Outreach of Financial Innovations and Technologies (PROFIT) (IFAD Loan No. 814-KE and Grant No. 1218-KE) set out on pages 3 to 21, which comprise the statement of financial assets as at 30 June, 2020, and statement of receipts and payments, statement of cashflow and statement of comparative budget and actual amounts for the period then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Programme for Rural Outreach of Financial Innovations and Technologies (PROFIT) 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 Loan and Grant Financing Agreements No.814-KE and No.1218-KE respectively between the International Fund for Agricultural Development (IFAD) and the Government of Kenya dated 22 December, 2010 and Public Finance Management Act, 2012.

Further, the special account statement presents fairly, transactions for the year, and the closing balance has been reconciled with the books of account.

#### **Basis for Opinion**

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

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*Report of the Auditor-General on Programme for Rural Outreach of Financial Innovations and Technologies (PROFIT) (IFAD Loan No. 814-KE and Grant No. 1218-KE) for the year ended 30 June, 2020 - The National Treasury.*

## **Emphasis of Matter**

### **Low Absorption of Project Funds**

Note 1.7 on funding summary indicates that the Donor had made commitments amounting to Kshs.3,033,000,000 (USD30,330,000) for both the grant and loan. The actual amount received during the Programme's period totalled to Kshs.2,860,600,000 (USD28,606,000) leaving a balance of Kshs.170,600,000 (USD1706,000) undrawn. With the Project closing date of 30 June, 2019, the credit has since lapsed without being fully utilized and the Programme's planned deliverables earmarked for completion using the funding may not have been realized. Further, Management has not initiated the Project's closure process or sought for an extension of the Programme from the Donor.

My opinion in respect of this matter is not modified.

### **Key Audit Matters**

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

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing 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**

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 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.

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

As required by International Fund for Agricultural Development (IFAD), 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 Programme'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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Programme's ability to continue to sustain 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 Programme 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 money is applied in an effective way.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Programme 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 overall 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 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 overall 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 non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

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

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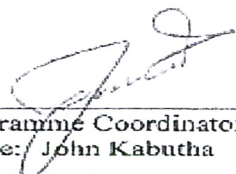
*Report of the Auditor-General on Programme for Rural Outreach of Financial Innovations and Technologies (PROFIT) (IFAD Loan No. 814-KE and Grant No. 1218-KE) for the year ended 30 June, 2020 - The National Treasury.*


d) STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2020

	Note	FY 2019/20		FY 2018/19		Cumulative to Date
		Receipts and payments controlled by the entity Kshs	Receipts and Payments made by third parties Kshs	Receipts and payments controlled by the entity Kshs	Payments by third parties Kshs	
<b>RECEIPTS</b>						
Receipts from Government of Kenya	9.1	40,000,000		40,000,000	-	189,315,314
Loan AIA	9.2	73,752,100	-	484,341,407	-	2,077,574,829
Grant AIA	9.2	9,098,900		43,698,656		493,440,307
Replenishment from SA	9.2	68,097,303		67,246,495		326,521,200
Miscellaneous Receipts	9.3		-	-	-	876,436
<b>TOTAL RECEIPTS</b>		<b>190,948,303</b>	<b>-</b>	<b>635,286,558</b>	<b>-</b>	<b>3,087,728,086</b>
<b>PAYMENTS</b>						
Compensation of Employees	9.4	30,882,959	-	62,970,489	-	145,389,077
Purchase of goods and services	9.5	38,393,944	-	57,501,379	-	332,960,394
Acquisition of Non-financial Assets	9.6	-	-	-	-	24,716,233
Transfers to Other Entities	9.7	101,488,471	-	528,040,063	-	2,571,015,136
<b>TOTAL PAYMENTS</b>		<b>170,765,374</b>	<b>-</b>	<b>648,511,931</b>	<b>-</b>	<b>3,074,080,840</b>
<b>SURPLUS/DEFICIT</b>		<b>20,182,929</b>	<b>-</b>	<b>(13,225,372)</b>	<b>-</b>	<b>13,647,246</b>

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

  
Principal Secretary  
Name: Julius Muia, PhD, CBS

  
Programme Coordinator  
Name: John Kabutha

  
Accountant:  
Name: Obango Billy  
ICPAK Member No: 17253

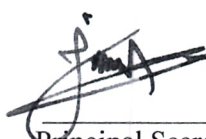
**PROFIT Programme**  
**Reports and Financial Statements**  
**For the financial Period ended June 30,2020**

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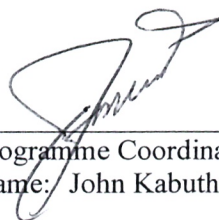
e) **STATEMENT OF FINANCIAL ASSETS AS AT 30<sup>th</sup> JUNE 2020**

	<b>Note</b>	<b>2019/20</b>	<b>2018/19</b>
		<b>KShs</b>	<b>KShs</b>
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	<b>9.8A</b>	22,809,118	2,577,189
Cash Balances	<b>9.8B</b>		49,000
<b>Total Cash Equivalents</b>		<b>22,809,118</b>	<b>2,626,189</b>
<b>TOTAL FINANCIAL ASSETS</b>		<b>22,809,118</b>	<b>2,626,189</b>
<b>REPRESENTED BY</b>			
Fund balance brought forward	<b>9.9</b>	2,626,189	15,851,561
Prior year adjustments	<b>9.10</b>	-	-
Surplus/Deficit for the year		20,182,929	(13,225,372)
<b>NET FINANCIAL POSITION</b>		<b>22,809,118</b>	<b>2,626,189</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 June 2020 and signed by:



Principal Secretary  
Name: Julius Muia, PhD, CBS



Programme Coordinator  
Name: John Kabutha




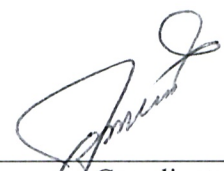
Accountant  
Name: Obango Billy, CPA  
ICPAK Member Number: 17253


f) **STATEMENT OF CASHFLOW FOR THE PERIOD 30<sup>th</sup> JUNE 2020**

	Note	2019/20 KShs	2018/19 KShs
<b>Receipts for operating activities</b>			
Receipts from Government of Kenya	9.1	40,000,000	40,000,000
Proceeds from Domestic and Foreign Grants	9.2	68,097,303	67,246,495
Miscellaneous receipts	9.3	-	-
		<b>108,097,303</b>	<b>107,246,495</b>
<b>Payments for operating activities</b>			
Compensation of employees	9.4	30,882,959	(65,081,765)
Purchase of goods and services	9.5	38,393,944	(55,439,103)
Transfers to other entities	9.7	101,488,471	(528,040,063)
		<b>170,765,374</b>	<b>(648,560,931)</b>
<b>Adjusted for:</b>			
Adjustments during the year	9.10	-	49,000
<b>Net cash flow from operating activities</b>		<b>(62,688,071)</b>	<b>(541,265,435)</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Foreign Borrowings	9.2	82,851,000	528,040,063
<b>Net cash flow from financing activities</b>		<b>82,851,000</b>	<b>528,040,063</b>
<b>Net increase in cash and cash equivalent</b>		<b>20,182,929</b>	<b>(13,225,372)</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>		<b>2,626,189</b>	<b>15,851,561</b>
<b>Cash and cash equivalent at END of the year</b>		<b>22,809,118</b>	<b>2,626,189</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 June 2020 and signed by:

  
 \_\_\_\_\_  
 Principal Secretary  
 Name: Julius Muia, PhD, CBS

  
 \_\_\_\_\_  
 Programme Coordinator  
 Name: John Kabutha

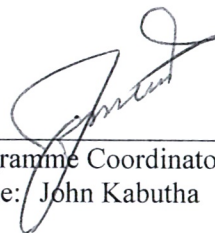
  
 \_\_\_\_\_  
 Accountant:  
 Name: Obango Billy, CPA  
 ICPAK Member No: 17253

g) STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30<sup>th</sup> 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 %
<b>Receipts/Payments Item</b>						
<b>Receipts</b>						
Government of Kenya	40,000,000		40,000,000	40,000,000	-	100%
Loan revenue	223,000,000	-70,000,000	153,000,000	71,326,304	41,674,696	63%
Loan AIA	83,000,000		83,000,000	82,851,000	149,000	100%
Grant AIA	9,000,000	98,900	9,000,000	9,089,800	-89,000	101%
<b>Total Receipts</b>	<b>355,000,000</b>	<b>-69,901,100</b>	<b>285,000,000</b>	<b>203,276,201</b>	<b>41,734,696</b>	<b>67%</b>
<b>Payments</b>						
Compensation of employees	50,000,000	-	50,000,000	30,882,959	19,117,041	61%
Use of goods and services	41,610,239		41,610,239	38,393,944	1,203,599	92%
Transfers to Other Government Entities	263,389,761	-70,000,000	193,389,761	101,488,471	91,901,290	52%
<b>Total Payments</b>	<b>355,000,000</b>	<b>-70,000,000</b>	<b>285,000,000</b>	<b>170,765,374</b>	<b>112,221,930</b>	<b>60%</b>



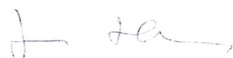
Principal Secretary  
Name: Julius Muia, PhD, CBS



Programme Coordinator  
Name: John Kabutha



Accountant:  
Name: Obango Billy  
ICPAK Member No: 17253



## **SIGNIFICANT ACCOUNTING POLICIES**

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

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

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting. The financial statements comply with and conform to the form of presentation prescribed by the Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings (Kshs), which is the functional and reporting currency of the Programme and all values are rounded to the nearest one Shilling. The accounting policies adopted have been consistently applied to all of the years presented.

#### **Basis of Preparation**

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts (GSCA). The cash basis of accounting recognizes transactions and events only when cash is received or paid out by the Programme.

#### **i. Recognition of revenue and expenses**

The Programme recognizes all revenues from the various sources when the event occurs and the related cash has actually been received by the Programme. In addition, the Programme recognizes all expenses when the event occurs and the related cash has actually been paid out by the Programme

#### **ii. In-kind donations**

In-kind donations are contributions made to the Programme 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 of in-kind donations can be reliably determined, the Programme includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the donation is not recorded.

#### **iii. 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

## **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **iv. 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/periods. As pending bills do not involve the payment of cash in the reporting period, they are simply disclosed as an Annex to the financial statements. 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.

### **v. Budget**

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The Programme'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. A high-level assessment of the Programme's actual performance against the comparable budget for the financial year under review is included as an annex to financial statements.

### **vi. Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which the Programme operates, Kenya Shillings (Kshs). Transactions in foreign currencies during the year 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 recognized in the statements of receipts and payments.

### **vii. Comparative figures**

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

### **viii. Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

## 8.2 Significant Accounting Policies (Continued)

### a) Recognition of receipts

#### 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

#### Proceeds from borrowing

Borrowing includes Treasury bill, treasury bonds, corporate bonds, sovereign bonds and external loans acquired by the Programme or any other debt the Programme 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 Programme currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the Programme is anticipated to continue to completion. An analysis of the Programme'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 recognized in the financial statements the time associated cash is received.

### a) Recognition of payments

The programme recognizes all payments when the event occurs and the related cash has actually been paid out by the Programme.

- **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.

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

### **b) Recognition of payments (continued)**

- **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.

A fixed asset register is maintained by the Programme and a summary provided in the notes to the accounts.

### **b) In-kind donations**

In-kind contributions are donations that are made to the Programme 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 Programme 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.

### **c) 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.

#### **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.

## 8.2 Significant Accounting Policies (Continued)

### d) **Accounts receivable**

For the purposes of these financial statements, imprests and advances to authorized 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. For the financial year there were no such receivables outstanding. PROFIT held no outstanding receivables for the period under review.

### e) **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 Programme 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.

### f) **Budget**

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification, and for the same period as the financial statements. The Programme'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 Programmes are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognized as inter-entity transfers and are eliminated upon consolidation.

A high-level assessment of the Programme's actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

### g) **Direct Payments (AIA)**

Included in the receipts and payments, are payments made on PROFIT behalf to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed as receipt and payment at the value date.

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

### **h) Errors**

8. 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. PROFIT programme did not have any errors needing restatement of prior period balance in the year under review

## 9. NOTES TO THE FINANCIAL STATEMENTS (continued)

### 9.1 Receipts from Government of Kenya

Receipts from the government are either counterpart funding or other transfers. Counterpart funding represents the Government's share of contribution towards the implementation of the Programme. These amounts are disbursed by the Parent Ministry in line with the budget.

	2019/20	2018/19	Cumulative to Date
	KShs	KShs	KShs
<i>Counterpart funding Through National Treasury</i>			
Counterpart funds Quarter 1	20,000,000	20,000,000	90,000,000
Counterpart funds Quarter 2	20,000,000	-	40,000,000
Counterpart funds Quarter 3		20,000,000	59,315,314
Counterpart funds Quarter 4	-	-	-
	<b><u>40,000,000</u></b>	<b><u>40,000,000</u></b>	<b><u>189,315,314</u></b>

## 9. NOTES TO THE FINANCIAL STATEMENTS (continued)

### 9.2 Loan & Grant from IFAD

These comprise of receipts received from IFAD. During the 12 months to 30 June 2020, we received funding from IFAD in form of loans negotiated by the National Treasury as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in KShs	
					2019/20	2018/19
			KShs	KShs	KShs	KShs
<b>Loans &amp; Grants Received from Multilateral Donors (International Organisations)</b>						
IFAD Loan – USD	30/06/2019	-	-	73,752,100	73,752,100	484,341,407
IFAD Grant				9,089,800	9,089,800	43,698,656
Replenishment from SA				68,097,303	68,097,303	67,246,495
<b>Total</b>		-	-	<b>150,939,203</b>	<b>150,939,203</b>	<b>595,286,558</b>

### 9.3 Miscellaneous Receipts

	Receipts controlled by the entity in Cash	Receipts controlled by third parties	TOTAL RECEIPTS		Cumulative to- date
			2019/20	2018/19	
	KShs	KShs	KShs	KShs	KShs
Other receipts not classified elsewhere	-	-	-	623,524	876,436
	=	=	=	<b>623,542</b>	<b>876,436</b>

## 9. NOTES TO THE FINANCIAL STATEMENTS (continued)

### 9.4 Compensation of Employees

These comprise of the remuneration payable to employees in return for the work done. In addition to wages and salaries, compensation of employees includes social contributions made by general government unit on behalf of its employees.

			2019/20	2018/19	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
-	KShs	KShs	KShs	KShs	KShs
Basic wages of temporary employees	23,917,428	-	23,917,428	42,351,235	94,892,073
Personal allowances paid as part of salary	-	-	-	1,344,000	22,794,344
Personal allowances paid as reimbursements	860,000	-	860,000	2,129,000	5,453,208
Compulsory national social security schemes	24,000	-	24,000	65,400	82,400
Compulsory national health insurance schemes	108,600	-	108,600	154,200	136,800
Other personnel payments	5,972,931	-	5,972,931	19,037,930	51,663,774
<b>Total</b>	<b><u>30,882,959</u></b>	<b>=</b>	<b><u>30,882,959</u></b>	<b><u>67,970,489</u></b>	<b><u>145,389,077</u></b>

## 9. NOTES TO THE FINANCIAL STATEMENTS (continued)

### 9.5 Purchase of Goods and Services

These comprise the total value of goods and services consumed by the Programme.

	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		Cumulative to date
			FY 2019/20	FY 2018/19	
	KShs	KShs	KShs	KShs	KShs
Utilities, supplies and services	2,764,369	-	2,764,369	806,648	3,978,911
Communication, supplies and services	3,582,489	-	3,582,489	-	164,294
Domestic travel and subsistence	15,378,694		15,378,694	21,839,659	90,755,337
Foreign travel and subsistence		-		3,930,143	11,264,777
Printing, advertising and information supplies & services	2,049,920	-	2,049,920	2,658,893	10,180,962
Training expenses	812,121	-	812,121	10,671,290	25,584,512
Hospitality supplies and services	8,412,352	-	8,412,352	9,016,729	30,942,658
Insurance costs	1,091,592	-		1,703,862	6,666,152
Specialised materials and services	-	-	-	1,390,432	2,389,932
Other operating expenses	71,150	-	71,150	77,820	9,663,479
Routine maintenance – vehicles and other transport equipment	3,704,857	-	3,704,857	2,516,082	5,686,908
Consultancy services: – Technical and professional services	526,400	-	526,400	827,545	99,527,802
<b>Total</b>	<b>38,393,944</b>	<b>=</b>	<b>38,393,944</b>	<b>57,501,379</b>	<b>332,960,394</b>

## 9. NOTES TO THE FINANCIAL STATEMENTS (continued)

### 9.6 Acquisition of Non-Financial Assets

The programme did not incur any expenditure on non-financial assets during the year the table below shows cumulative expenditure to date under this category

	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		Cumulative to-date
			2019/20	2018/19	
			KShs	KShs	
Purchase of vehicles & other transport equipment	-	-	-	-	12,188,434
Purchase of office furniture & general equipment	-	-	-	-	20,192,695
Acquisition of other intangible assets	-	-	-	-	2,225,055
<b>Total</b>	<b>=</b>	<b>=</b>	<b>=</b>	<b>=</b>	<b>34,606,184</b>

9. NOTES TO THE FINANCIAL STATEMENTS (continued)

9.7 Payments to Participating Institutions and Implementing Partners

The table below provides the cumulative payments made to participating financial institutions and implementing partners

	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		Cumulative to-date
			FY 2019/20	FY 2018/19	
			KShs	KShs	
<b>Transfers to Other Institutions</b>					
Kenya women Fin Trust	-				205,100,000
Faulu Kenya Ltd	-				200,200,000
SMEP Ltd	-				100,400,000
Rafiki Ltd	-				94,300,000
AGRA -TSS	36,256,800		36,256,800	62,797,660	120,467,808
BOMA	28,743,800		28,743,800	31,448,600	232,126,120
BRAC USA	9,823,400		9,823,400	34,198,703	130,889,138
CARE Kenya	17,125,900		17,125,900	66,963,300	254,900,270
AGRA -BSS	9,538,571		9,538,571	172,631,800	542,631,800
AFC	-		-	-	370,000,000
Barclays Bank	-			160,000,000	320,000,000
<b>TOTAL</b>	<b>101,488,471</b>	<b>-</b>	<b>101,488,471</b>	<b>528,040,063</b>	<b>2,571,015,136</b>

## 9. NOTES TO THE FINANCIAL STATEMENTS (continued)

### 9.8 Balances Carried Forward

These comprise of cash book bank and cash balances as at 31<sup>st</sup> December 2019 and comparatives for financial year to 30<sup>th</sup> June 2019 . The programme has one operational bank account and one special dollar deposit account managed by the national treasury RMD in the Central bank of Kenya

	FY 2019/20	FY 2018/19
	KShs	KShs
Bank accounts (Note 9.8A)	22,809,118	2,577,189
Cash(Note 9.8B)	-	49,000
<b>Total</b>	<b><u>22,809,118</u></b>	<b><u>2,626,189</u></b>

#### 9.8A) Bank Accounts

##### i. Programme Bank Accounts

	FY 2019/20	FY 2018/19
	KShs	KShs
<b><u>Local Currency Accounts</u></b>		
Co-operative Bank of Kenya [A/c No: 01141419559400]	22,809,118	2,577,189
<b>Total local currency balances</b>	<b><u>22,809,118</u></b>	<b><u>2,577,189</u></b>
<b>Total bank account balances</b>	<b><u>22,809,118</u></b>	<b><u>2,577,189</u></b>

#### 9.8B) Cash In Hand

	FY 2020/20	FY 2018/19
	KShs	KShs
Cash	-	49,000
<b>Total Cash balances</b>	<b><u>0</u></b>	<b><u>49,000</u></b>

##### ii. Special Deposit Accounts

The balances in the Programme's Special Deposit Accounts as at 30<sup>th</sup> 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. The Special Deposit Account (SDA) movement schedule which shows the flow of funds that were voted in the year is presented below. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

## 9. NOTES TO THE FINANCIAL STATEMENTS (continued)

### 9.8. C) Bank Accounts (continued)

#### Special Deposit Accounts Movement Schedule

	2019/20	2018/19
	USD	USD
(i) Central Bank of Kenya [A/c NO:100508951214]		
Opening balance	762	294,682
Total amount deposited in the account	178,580	372,762
Total amount withdrawn (as per Statement of Receipts & Payments)	179,342	666,672
Bank Charges	-	10
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	<b>=</b>	<b><u>762</u></b>

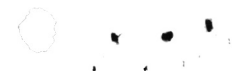
The Special Deposit Account reconciliation statements have been attached as *Appendix IVA* & *IVB* to support these closing balances.

### 9.9. Fund Balance Brought Forward

	2019/20	2018/19
	KShs	KShs
Bank accounts	2,577,189	15,774,361
Cash in hand	49,000	77,200
<b>Total</b>	<b>2,626,189</b>	<b>15,851,561</b>

**h) PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The Programme did not have outstanding auditor recommendations as at the end of the year. The programme had an unqualified audit report for the year 2019/2020



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**ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

*Explain all variance below 90% and above 100%.*

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 %
<b>Receipts/Payments Item</b>						
<b>Receipts</b>						
Government of Kenya	40,000,000		40,000,000	40,000,000	-	100%
Loan revenue	223,000,000	-70,000,000	153,000,000	71,326,304	41,674,696	63%
Loan AIA	83,000,000		83,000,000	82,851,000	149,000	100%
Grant AIA	9,000,000	98,900	9,098,900	9,098,900	-89,000	101%
<b>Total Receipts</b>	<b>355,000,000</b>	<b>-69,901,100</b>	<b>285,098,900</b>	<b>203,276,204</b>	<b>41,734,696</b>	<b>67%</b>
<b>Payments</b>						
Compensation of employees	50,000,000	-	50,000,000	30,882,959	19,117,041	62%
Use of goods and services	41,610,239		41,610,239	38,393,944	1,203,599	92%
Transfers to Other Government Entities	263,389,761	-70,000,000	193,389,761	101,488,471	91,901,290	52%
<b>Total Payments</b>	<b>355,000,000</b>	<b>-70,000,000</b>	<b>285,000,000</b>	<b>170,765,374</b>	<b>112,221,930</b>	<b>60%</b>

*Explanation for variances is as follows:*

- (i) **Loan Revenue:** *The amount Kshs 153 million budgeted to be received as revenue during the year was not received in full because the program was in the close out period and the program uses its expenditures to justify the initial advance that resulted into decrease in disbursements subsequently.*
- (ii) **Transfers to other Government Entities:** *As a result of the decreased activities during the closeout and transition period the budgeted payments were not fully actualised.*
- (iii) **Grant AIA:** *This increase was occasioned by exchange rate differences.*

### ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

This summary of fixed assets is provided for disclosure purposes since the financial statements are prepared on cash basis.

The fixed assets summary is extracted from the asset registers maintained by the Programme.

Asset Class	Opening Cost	Additions During the Year	Disposals During the Year	Closing Cost
Land				
Motor Vehicles	10,891,819	-	-	10,891,819
Office Equipment, Furniture and Fittings	-	-	-	-
ICT Equipment, Software and other ICT Assets	13,824,416	-	-	13,824,416
<b>Total</b>	<b>24,716,233</b>	<b>-</b>	<b>-</b>	<b>24,716,233</b>

Notes

*\*Project had No Purchases/Additions in the year*

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**APPENDICES**

a) Transfers to other government entities as per Note 8.11

<b>PROFIT PROGRAMME</b>		
	<b>Date of Disbursement</b>	<b>Nature of Transfer</b>
		<b>Development (KShs)</b>
Kenya Women	2013	205,100,000
Faulu Kenya Ltd	2013	200,200,000
Smep Ltd	2013	100,400,000
Rafiki Ltd	2013	94,300,000
AGRA - TSS	2017-2018-2019-2020	120,467,808
BOMA	2017-2018-2019-2020	232,126,120
BRAC USA	2017-2018-2019-2020	130,889,138
CARE Kenya	2017-2018-2019-2020	254,900,270
AGRA -BSS	2017-2018-2019-2020	542,631,800
Barclays Bank	2017-2018-2019-2020	320,000,000
AFC	2017-2018-2019-2020	370,000,000
<b>Total</b>		<b><u>2,571,015,136</u></b>
<b>Total</b>		<b><u>2,571,015,136</u></b>

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**Appendix IVA**

	<b>Dec-19</b>	<b>2018/19</b>
	<b>USD</b>	<b>USD</b>
<b>(i) Central Bank of Kenya [A/c NO:100508951214]</b>		
Opening balance	762	294,682
Total amount deposited in the account	178,580	372,762
Total amount withdrawn (as per Statement of Receipts & Payments)	179,342	666,672
Bank Charges	0	10
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	<b><u>0</u></b>	<b><u>762</u></b>

**Appendix IVB**

	<b>USD</b>	<b>USD</b>
Amount Advanced by IFAD		2,000,000
<b>Amount Justified through RMD as follows;</b>		
WA No.		
10	(550,866)	
37	(538,462)	
50	(581,879)	
51	(181,599)	
52	(147,194)	(2,000,000)
<b>Amount Unjustified</b>		<b>-</b>