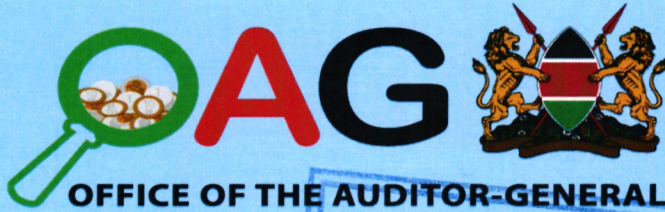


REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 22 SEP 2020 DAY: TUESDAY

REPORT BY: Hon. Amos Kimani, MP
Leader of Majority

CLERK-AT-THE-TABLE: A. Subito

REPORT

OF

THE AUDITOR-GENERAL

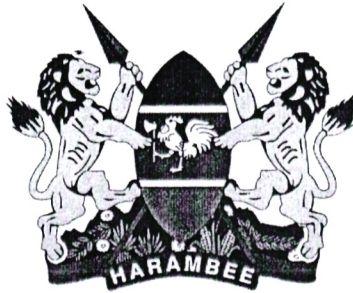
ON

NATIONAL SAFETY NET PROGRAM FOR RESULTS - PROGRAM NO. P131305

FOR THE YEAR ENDED
30 JUNE, 2019

STATE DEPARTMENT FOR SOCIAL PROTECTION





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

24 DEC 2019

RECEIVED

**NATIONAL SAFETY NET PROGRAMME
(PROJECT NUMBER: P131305)**

**MINISTRY OF LABOUR AND SOCIAL PROTECTION, STATE DEPARTMENT FOR
SOCIAL PROTECTION (SOCIAL PROTECTION SECRETARIAT)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019**

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

TABLE OF CONTENTS

I. PROJECT INFORMATION AND OVERALL PERFORMANCE	ii
II. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES	vi
III. REPORT OF THE INDEPENDENT AUDITORS ON THE NATIONAL SAFETY NET PROGRAMME.....	viii
1. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2019.....	1
2. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30TH JUNE 2019.	3
3. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2019.....	4
4. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS	5
5. NOTES TO THE FINANCIAL STATEMENTS	7
10. CONSOLIDATED STATEMENT OF RECEIPTS AND PAYMENTS FOR YEAR ENDED JUNE 2019	19

I. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

The project's official Name:

National Safety Net Programme

Physical Address :(Headquarters)

NSSF Building, Nairobi (city), Nairobi County, Kenya.

P. O. Box 46205-00100 GPO, Nairobi.

Contacts

Telephone: (254) 722 319 186

E-mail: et_ovc@gmail.com OR et_ovc@yahoo.com

Project Coordinator

John Gachigi

1.2 Project Information

Project Start Date:	31 St March 2009
Project End Date:	31 St December 2020
Project Manager:	John Gachigi
Project Sponsor:	World Bank ,Government of Kenya and IDA

1.3 Project Overview

Line Ministry/State Department	The project is under the supervision of the – Ministry of Labour and Social Protection, State Department for Social Protection.

Strategic goals of the project	<p>The strategic goals of the project are as follows:</p> <ol style="list-style-type: none"> 1. Strengthening the capacity of families to protect and care for the Orphans and Vulnerable Children (OVC), Older Persons and Persons With severe disability and Hunger Safety Net 2. Mobilizing and supporting community response; 3. Ensuring access to essential services including education, healthcare, Birth registration and others for OVC, Older Persons and Persons With Severe Disability; 4. Improving Government Policy and Regulations; 5. Creating a supportive environment through advocacy and social mobilization; 6. Developing and improving the capacity to monitor and evaluate programme effectiveness; 7. Strengthening, supporting and coordination of institutional structures;
Achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <ol style="list-style-type: none"> (i) Increase social safety net access to extremely poor households in Kenya; (ii) Build the capacity of the Government systems to effectively deliver the safety net project to the vulnerable groups;
Current situation that the project was formed to intervene	<p>The project was formed to intervene in the following areas:</p> <ol style="list-style-type: none"> (i) Address cases of vulnerable group and children and be integrated to Families. This was to be achieved by giving households bi-annual Cash subsidy to take care of the vulnerable persons.
Project duration	<p>The project started on 31st March 2009 and is expected to run until 31st December, 2020</p>

1.4 Bankers

The following are the bankers for the current year:

- (i) Cooperative Bank of Kenya Limited -011411333228000.
- (ii) Cooperative Bank of Kenya Limited -02120134198100.
- (iii) Central Bank of Kenya – 1000311304.
- (iv) KCB Agency Account.

1.5 Auditors

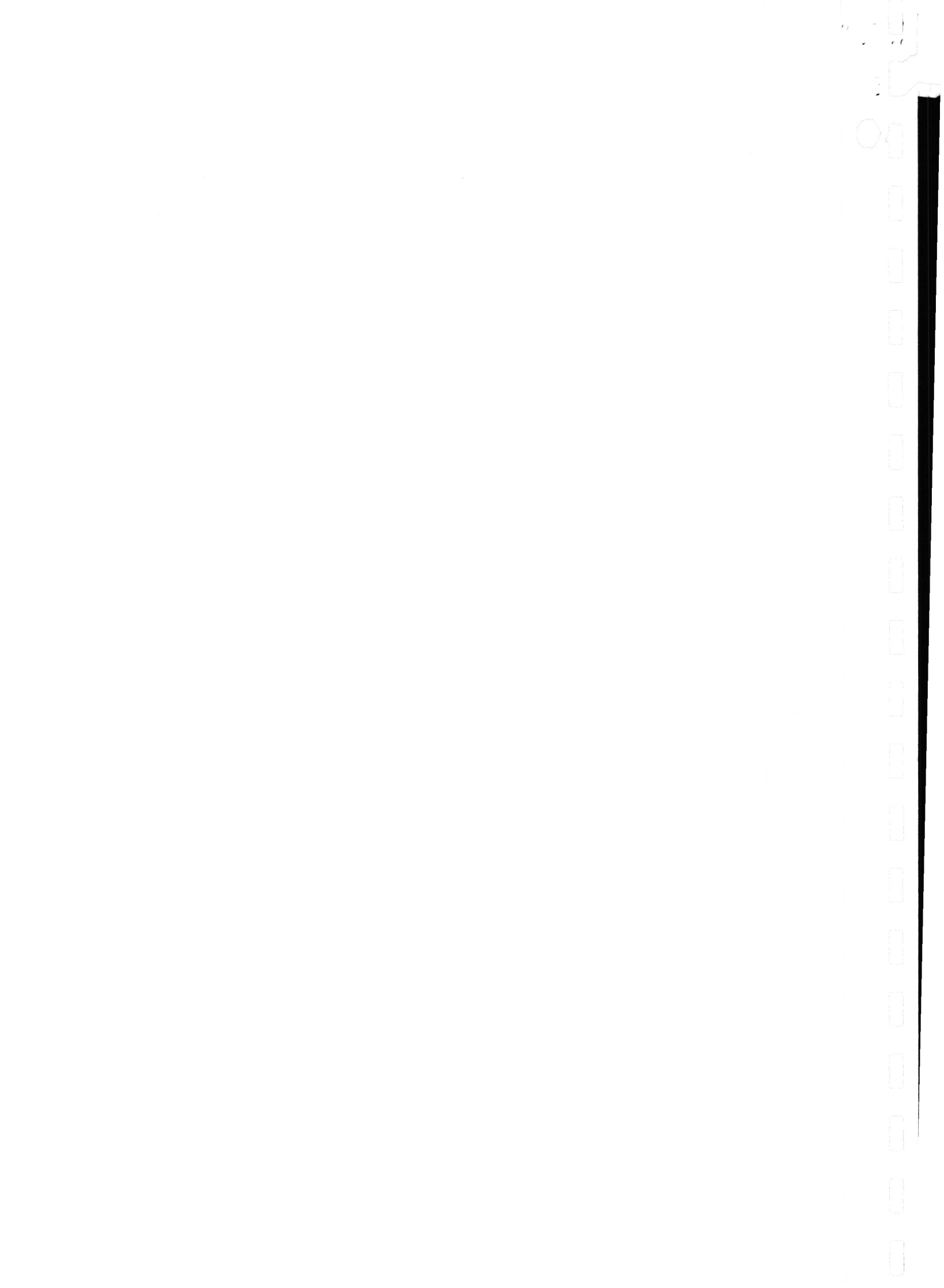
The project is audited by Office of Auditor General.

1.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
John Gachigi	Senior Assistant Director	Masters in Sociology	Head of Social Assistance Unit (Project Coordinator)
Moses Muga	Senior Accountant	MSC Com. CPA(K)	Project Accountant
Cecilia Mbaka	Deputy Director Social Development	Bachelor's Degree in Sociology	Head of Social Protection Secretariat
Franklyn Makhalu	Senior Children Officer	Masters In Sociology and Economics	Head of MIS and Payments

1.7 Funding summary

The Project is for duration of 7 years from 2013 to 2020 with an approved budget of US\$ 300,000,000 equivalent to Kshs.31, 560,011,400 as highlighted in the table below:



Below is the funding summary:

Source of funds	Donor Commitment-		Amount received to date – (30 th June 2019)		Undrawn balance to date (30 th June 2019)	
	Donor currency	<u>Kshs.</u>	Donor currency	<u>Kshs.</u>	Donor currency	<u>Kshs.</u>
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
IDA CREDIT 52870	250,000,000	26,300,009,500	189,968,087	19,984,649,971	39,213,985	4,125,321,712
IDA CREDIT 59810	50,000,000	5,260,001,900	29,995,806	3,155,559,931	20,536,849	2,160,477,295
Total	300,000,000	31,560,011,400	219,963,893	23,140,209,902	59,750,835	6,285,790,007

1.8 Summary of Overall Project Performance:

1. The Program has been gradually expanded its scope/support from 500 households pre-pilot in 2004 now reaching 1,333,000 households as at June, 30th 2019.
2. The Program has increased school enrolment and attendance and reduced rates of mortality and morbidity

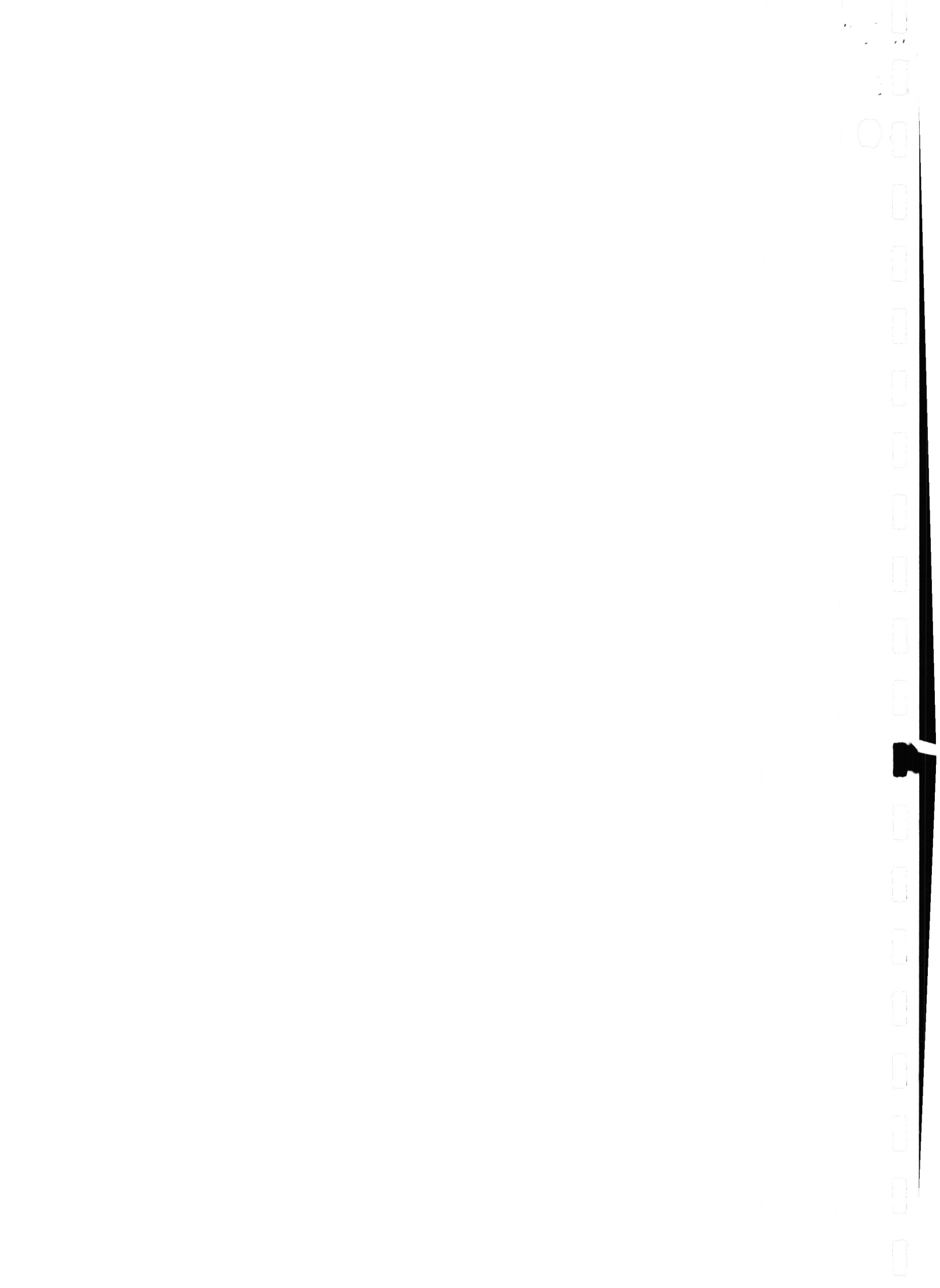
II. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Principal Secretary for the State Department for Social Protection and the Project Coordinator for National Safety Net Programme are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on June 30, 2019. 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 State Department for Social Protection and the Project Coordinator for National Safety Net Programme 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 State Department for Social Protection and the Project Coordinator for National Safety Net Programme are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2019, and of the Project's financial position as at that date. The Principal Secretary for the State Department for Social Protection and the Project Coordinator for National Safety Net Programme further confirms 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.

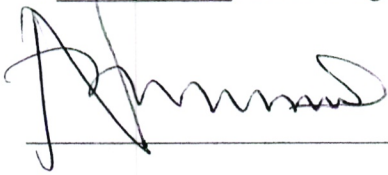
The Principal Secretary for the State Department for Social Protection and the Project Coordinator for National Safety Net Programme confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and



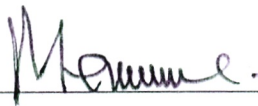
that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project financial statements were approved by the Principal Secretary, State Department for Social Protection and the Project Coordinator for National Safety Net Programme on 23/12/ 2019 and signed by them.



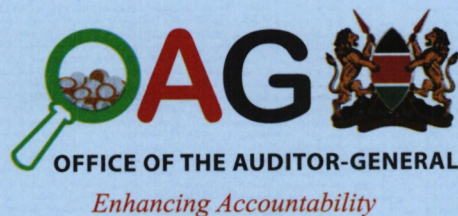
Principal Secretary
Nelson Marwa Sospeter, **EBS**



Project Coordinator
John Gachigi

REPUBLIC OF KENYA

Telephone: +254-(20) 3214500
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON NATIONAL SAFETY NET PROGRAM FOR RESULTS - PROGRAM NO. P131305 FOR THE YEAR ENDED 30 JUNE, 2019 - STATE DEPARTMENT FOR SOCIAL PROTECTION

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of the National Safety Net Program For Results - Program No. P131305 set out on pages 1 to 20, which comprise the statement of financial assets and liabilities as at 30 June, 2019, and the statement of receipts and payments, statement of cash flows and 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 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 National Safety Net Program for Results - Program No. P131305 as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act 2012 and Financing Agreement No. P131305 dated 09 September, 2013 between International Development Agency (IDA) and the Republic of Kenya.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, 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

Budget Control and Performance

During the year under review, the Program's actual receipts amounted to Kshs.24,900,101,937 against the budgeted amount of Kshs.31,561,050,228 resulting in a receipts shortfall of Kshs.6, 660,948,291 or 21%. Similarly, the Program utilized a total of Kshs.29,672,007,133 or 94% of the approved budget of Kshs.31,555,350,228.

The under expenditure mainly occurred under two main items namely; Cash transfer for Persons with Severe Disabilities and Hunger Safety Net Programme where an amount of Kshs.236,054,470 and Kshs.1,089,210,300 respectively was not utilized.

Management has not explained by way of notes, the material variances between the budget and actual amounts as provided.

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 IN INTERNAL CONTROLS, RISK MANAGEMENT SYSTEMS AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Lack of Audit Committee

Regulation 74(1) of the Public Finance Management Act, 2012 requires every National Government entity to establish an Audit Committee to provide oversight over Management activities. Contrary to the above, Management did not avail any documents in support of the existence of an Audit Committee such as appointment letters, membership, tabled reports or recommendation and follow-ups. Lack of an Audit Committee implies that the Program's activities were not internally appraised.

In the circumstances, the Program has not complied with the provisions of the Public Finance Management Act, 2012 in respect of establishment of an audit committee.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by IDA and Financing Agreement No. P131305, except for the matters under the Basis for Conclusion of Effectiveness in Internal Control, Risk Management Systems and Governance, 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 Program, so far as appears from the examination of those records; and,
- iii. The Program financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

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

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

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

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

Those charged with governance are responsible for overseeing the Program's 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 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 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 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 Program's policies and procedures may deteriorate.

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

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

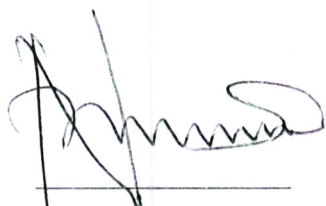
03 September, 2020

1. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2019

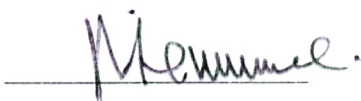
	Note	2018/19 Receipts and payments controlled by the entity	2017/18 Receipts and payment controlled by the entity (Certified)
		Ksh	Ksh
RECEIPTS			
Government of Kenya	3	23,434,100,851	24,093,033,194.75
External Financing	1&2	1,457,119,235	3,136,750,900.00
Miscellaneous Receipts	3	26,294,600	5,268,979.00
TOTAL RECEIPTS		24,917,514,685.50	27,235,053,073.56
PAYMENTS			
Old Persons Cash Transfer Programme		16,906,166,992	11,432,722,910.00
Compensation of employees	4	27,869,914	15,750,000.00
Purchase of goods and services	5	292,306,103	297,349,696.00
Acquisition of non-financial assets	7		9,378,920.00
Other grants and transfers payments	6	16,585,990,975	11,110,244,294.00
Cash Transfer for Persons with Severe Disability		953,945,530	974,406,177.00
Compensation of employees	4	92,649,720	80,719,546.00
Purchase of goods and services	5	9,842,450	96,928,711.00
Acquisition of non-financial assets	7		1,176,000.00
Other grants and transfer payments	6	851,453,360	795,582,920.00
Cash Transfer for OVC		8,369,126,677	6,544,229,923.00
Compensation of employees	4	53,411,591	2,113,835.00
Purchase of goods and services	5	101,366,897	185,767,797.00
Acquisition of non-financial assets	7	280,078,615	22,939,729.00
Other grants and transfer payments	6	7,934,269,574	6,333,408,562.00
Hunger Safety Net Programme		3,421,789,701	5,171,323,602.00
Compensation of employees	4	85,566,959	34,507,022.00
Purchase of goods and services	5	509,944,740	234,996,579.00
Acquisition of non-financial assets	7	18,943,601	38,366,601.00
Other grants and transfer payments	6	2,807,334,400	4,863,453,400.00

Social Protection Secretariat		20,978,234	265,280,006.00
Compensation of employees	4	11,957,429	86,396,444.00
Purchase of goods and services	5	9,020,805	134,730,091.00
Acquisition of non-financial assets	7		44,153,471.00
Other grants and transfer payments	6		
TOTAL PAYMENTS		29,672,007,133	24,387,962,618.00
SURPLUS/DEFICIT		(4,754,492,447)	2,847,090,455.56

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements. The financial statements were approved on 23/12/ 2019 and signed by:



Principal Secretary
Nelson Marwa Sospeter, **EBS**



Project Coordinator
John Gachigi

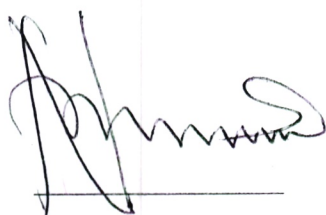


Project Accountant
Moses O. Muga
ICPAKM/Number: **14266**

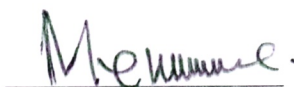
2. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30TH JUNE 2019

	Note	2018/19 KShs	2017/18 KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	8	1,272,775,203.00	6,074,221,595.06
Total Cash and Cash Equivalents		1,272,775,203.00	6,074,221,595.06
Receivables	9	46,953,925.00	
TOTAL FINANCIAL ASSETS		<u>1,319,729,148.00</u>	<u>6,074,221,595.06</u>
REPRESENTED BY			
Fund balance b/fwd	8	6,074,221,595.06	3,227,131,139.50
Surplus/Deficit for the year		(4,754,492,447.00)	2,847,090,455.56
NET FINANCIAL POSITION		<u>1,319,729,148.00</u>	<u>6,074,221,595.06</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 23/12/ 2019 and signed by:



Principal Secretary
Nelson Marwa Sospeter, EBS



Project Coordinator
John Gachigi

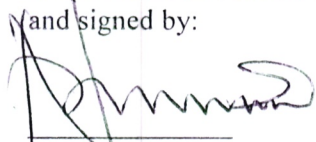


Project Accountant
Moses O. Muga
ICPAKM/Number: 14266

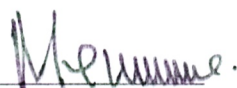
3. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2019

		2018/19(Ksh)	2017/18(Ksh)
Receipts for operating activities			
Transfer from The National Treasury	3	23,434,100,851.00	24,093,033,194.75
Proceeds from domestic and foreign grants-External Financing	1&2	1,457,119,235.00	3,136,750,900.00
Miscellaneous Receipts	3	8,881,850.50	5,268,978.81
		24,900,101,936.50	27,235,053,073.56
Payments for operating activities			
Compensation of employees	4	271,455,613.00	219,486,847.00
Purchase of goods and services	5	922,480,994.00	949,772,874.00
Other grants and transfers	6	28,179,048,309.00	23,102,688,176.00
		29,373,629,362.43	24,271,947,897.00
Adjustments during the year			
Changes in Receivables		(29,541,196.00)	
Net cash flow from operating activities		(4,502,424,176)	2,963,105,177.00
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	7	299,022,216.00	116,014,721.00
Net cash flows from Investing Activities		(299,022,216.00)	(116,014,721.00)
NET INCREASE IN CASH AND CASH EQUIVALENT		(4,801,446,393.00)	2,847,090,456.00
Cash and cash equivalent at BEGINNING of the year		6,074,221,596.00	3,227,131,140.00
Cash and cash equivalent at END of the year		<u>1,272,775,203.00</u>	<u>6,074,221,596.00</u>

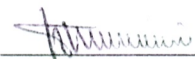
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 23/12/ 2019 and signed by:



Principal Secretary
Nelson Marwa Sospeter, EBS



Project Coordinator
John Gachigi

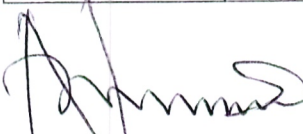


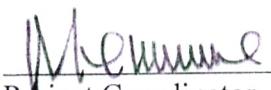
Project Accountant
Moses O. Muga
ICPAK M/No. 14266


4. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjustment	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments
	a	b	c=a+b	d	e=c-d	f=d/c %	
Receipts							
Old Persons Cash Transfer Programme	17,603,295,524	-146,059,002	17,457,236,522	14,595,499,450	2,861,737,072	84%	Lack of exchequer
Cash Transfer for Persons with Severe Disability	1,190,000,000		1,190,000,000	1,166,200,000	23,800,000	98%	
Cash Transfer for OVC	7,978,736,000	397,199,603	8,375,935,603	5,501,534,857	2,874,400,746	66%	Lack of exchequer
Hunger Safety Net Programme	4,516,700,000		4,516,700,000	3,615,889,396	900,810,605	80%	Lack of exchequer and the donor pulled out
Social Protection Secretariat	22,876,036	-1,697,933	21,178,103	20,978,234	199,869	99%	
Total Receipts	31,311,607,560	249,442,668	31,561,050,228	24,900,101,937	6,660,948,292		
Payments							

Old Persons Cash Transfer Programme	17,603,295,524	-146,059,002	17,457,236,522	16,906,166,992	551,069,530	97%	
Cash Transfer for Persons with Severe Disability	1,190,000,000	0	1,190,000,000	953,945,530	236,054,470	80%	Lack of exchequer
Cash Transfer for OVC	7,978,736,000	397,199,603	8,375,935,603	8,369,126,677	6,808,926	100%	
Hunger Safety Net Programme	4,511,000,000	-	4,511,000,000	3,421,789,700	1,089,210,300	76%	Lack of exchequer and the donor pulled out
Social Protection Secretariat	22,876,036	-1,697,933	21,178,103	20,978,234	199,869	99%	
Total Payments	31,305,907,560	249,442,688	31,555,350,228	29,672,007,133	1,883,343,095		


Principal Secretary
Nelson Marwa Sospeter, **EBS**


Project Coordinator
John Gachigi


Project Accountant
Moses O. Muga
ICPAK M/No.14266

5. NOTES TO THE FINANCIAL STATEMENTS

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

8.1. Basis of Preparation

8.1.1. 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.

8.1.2. Reporting entity

The financial statements are for the National Safety Net Programme under The Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act, 2012 .

8.1.3. 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.

8.2. 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 recognized 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 authorized 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 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. Other accounts receivables are disclosed in the financial statements.

f) 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.

g) 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.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) 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 recognized in the statements of receipts and payments.

i) 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.

j) 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, 2019.

k) 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

1. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS-EXTERNAL FINANCING

During the 12 months to 30 June 2019 we received grants from donors as detailed in the table below:

Name of Donor	FY 2018/19			FY 2017/18	
		Ksh			
Grants Received from World Bank	Direct Receipt	Receipt in Cash	Total Receipts		
Grant-World Bank(Kenya National Hunger Safety Net)	1,111,007,545		1,111,007,545		2,744,213,700.00
Grant-World Bank(State Department for Social Protection)		346,111,690	346,111,690		392,537,200.00
Total	1,111,007,545	346,111,690	1,457,119,235		3,136,750,900.00

2. PROCEEDS FROM DOMESTIC AND FOREIGN LOAN

During the 12 months to 30 June 2019 we received Loan from IDA Credit as detailed in the table below:

Name of Donor		FY 2018/19		FY 2017/18
		Kshs	Kshs	Kshs
Loan Received from IDA Credit	Direct Receipt	Receipt in Cash		Total Receipts
IDA Credit	0	0	0	91,080,000.00
Other External Financing	0	0	0	1,742,691,022.00
Total	0	0	0	1,833,771,022.00

3. RECEIPTS FROM GOVERNMENT OF KENYA

During the 12 months to 30 June 2019 we received cash from Government of Kenya as detailed in the table below:

	FY 2018/19	FY 2017/18
	Ksh	Ksh
Receipts from GOK		
GOK	23,434,100,851.00	24,093,033,195
Misc Receipt (HSNP)	8,881,850.00	5,268,978.81
Receivable (PWSD)	17,412,749.00	
Total	23,460,395,451.00	24,098,302,174

ANALYSIS OF RECEIPT FROM GOVERNMENT OF KENYA PER PROGRAMME

PROGRAMME	TRANSFERS FROM TREASURY	MISC RECEIPTS	TOTAL
Old Persons Cash Transfer Programme	14,595,499,450.00		14,595,499,450.00
Urban and Safety			-
Cash Transfer for Persons with Severe Disability	1,166,200,000	17,412,749	1,183,612,749
Cash Transfer for OVC	5,155,423,167.00		5,155,423,167.00
Hunger Safety Net Programme	2,496,000,000	8,881,851	2,504,881,851
Social Protection Secretariat	20,978,234		20,978,234
TOTAL	23,434,100,851.00	26,294,600.00	23,460,395,451.00

4 COMPENSATION OF EMPLOYEES-BASIC WAGES TO TEMPORARY EMPLOYEES

PROGRAMME	FY/2018/19	FY/2017/18
	KSH	KSH
Old Persons Cash Transfer Programme	27,869,914	15,750,000.00
Urban and Safety		
Cash Transfer for Persons with Severe Disability	92,649,720	80,719,546
Cash Transfer for OVC	53,411,591	2,113,835.00
Hunger Safety Net Programme	85,566,959	34,507,022.00
Social Protection Secretariat	11,957,429	86,396,444.00
Total	271,455,613	219,486,847

5 PURCHASE OF GOODS AND SERVICES PER PROGRAMME

PROGRAMME	FY/2018/19	FY/2017/18
	KSH	KSH
Old Persons Cash Transfer Programme	292,306,103	297,349,696.00
Urban and Safety		
Cash Transfer for Persons with Severe Disability	9,842,450	96,928,711.00
Cash Transfer for OVC	101,366,897	185,767,797.00
Hunger Safety Net Programme	509,944,740	234,996,579.00
Social Protection Secretariat	9,020,805	134,730,091.00
Total	922,480,995	949,772,874.00

6. CASH TRANSFERS PER PROGRAMME

PROGRAMME	FY/2018/19	FY/2017/18
	KSH	KSH
Old Persons Cash Transfer Programme	16,585,990,975	11,110,244,294.00
Urban and Safety		
Cash Transfer for Persons with Severe Disability	851,453,360	795,581,920.00
Cash Transfer for OVC	7,934,269,574	6,333,408,562.00
Hunger Safety Net Programme	2,807,334,400	4,863,453,400.00
Social Protection Secretariat		-
Total	28,179,048,309	23,102,688,176.00

7. ACQUISITION OF NON-FINANCIAL ASSETS

PROGRAMME	FY/2018/19	FY/2017/18
	KSH	KSH
Old Persons Cash Transfer Programme		9,378,920.00
Urban and Safety		
Cash Transfer for Persons with Severe Disability		1,176,000.00
Cash Transfer for OVC	280,078,615	22,939,729.00
Hunger Safety Net Programme	18,943,601	38,366,601.00
Social Protection Secretariat		44,153,471.00
Total	299,022,216	116,014,721.00

8. CASH AND CASH EQUIVALENTS CARRIED FORWARD

	2018/19	2017/18
	Kshs	Kshs
Cash equivalents	1,272,775,204	6,074,221,596.00
Total	1,272,775,204	6,074,221,596.00

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

8A. BANK ACCOUNTS
Project Bank Accounts

	2018/19	2017/18
	Usd	Usd
Foreign Currency Accounts		
Co-operative Bank of Kenya [02120134198100]		466.23
Total Foreign Currency balances	0	466.23
Local Currency Accounts	KES	KES
Central Bank of Kenya [1000311304]	0	102,522,733.30
KCB Agency for Cash Transfer(1168237459)	408,267,761.20	3,832,746,764.20
Cooperative Bank of Kenya	18,860,358.00	30,588,000.00
Equity Bank	59,010,120.20	1,626,222,681.75
Post Bank	22,326,579.00	94,644,000.00
Kenya Hunger Safety Net(NIC Bank)	277,176,127.97	112,617,629
National Council for Persons With Disability	487,134,257.00	274,879,787
Total Local Currency balances	1,272,775,203.37	6,074,221,596.00

9. ACCOUNTS RECEIVABLE

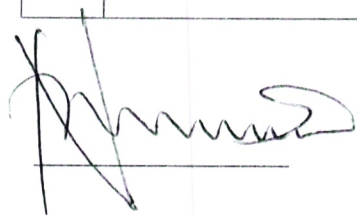
	2018/19	2017/18
	Kshs	Kshs
National Council for Persons With Disability(Postal Corporation of Kenya)	17,412,749.00	0
Advances (KHSNP)	29,541,196.00	
Total	46,953,945.00	0

10. CONSOLIDATED STATEMENT OF RECEIPTS AND PAYMENTS FOR YEAR ENDED JUNE 2019

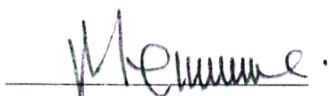
	Older persons cash transfer program	Cash transfer for persons with severe Disabilities	Cash transfer for orphans and Vulnerable children	Hunger Safety Net programme Project	Social protection secretariat	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
		c	d		e	g=a+b+c+d+e
CASH BALANCE B/F	2,410,864,599	274,879,787	3,275,859,581	112,617,629	-	6,074,221,596
Receivables		17,412,749				17,412,749
RECEIPTS						-
Government of Kenya	14,595,499,450	1,166,200,000	5,155,423,167.00	2,496,000,000	20,978,234.00	23,434,100,851
External financing						-
(a) World Bank loan						-
(b) Foreign Grant			346,111,690	1,111,007,545	-	1,457,119,235
© Miscellaneous				8,881,851	-	8,881,851
Total	17,006,364,049	1,458,492,536	8,777,394,438	3,728,507,025	20,978,234	30,991,736,282
Payments						-
compensation of employees	27,869,914	92,649,720	53,411,591	85,566,959	11,957,429	271,455,613
Social security benefits in cash	16,585,990,975	851,453,360	7,934,269,574	2,807,334,400	-	28,179,048,309
Use of goods and services	292,306,103	9,842,450	101,366,897	509,944,740	9,020,805	922,480,995
Acquisition of non-financial assets	-		280,078,615	18,943,601	-	299,022,216
Total Payments	16,906,166,992	953,945,530	8,369,126,677	3,421,789,700	20,978,234	29,672,007,133
CASH BALANCE C/F	100,197,057	504,547,006	408,267,761	306,717,325	-	1,319,729,149

Note: Cash Balance of Ksh 306,717,325 of Hunger Safety Net programme include cash in Bank of Ksh 277,176,127 and Receivables of Ksh 29,541,196. Ref Note 8A&9

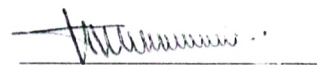
PRIO YEAR AUDIT ISSUES			
S/N	AUDIT ISSUE	MANAGEMENT RESPONSE	STATUS
1	Failure to provide Bank Statement by PSP(Equity Bank) for funds relating to Hunger Safety Net Programme beneficiaries for the F/Y 2016/17 for Audit Review	The Authority did not have contractual agreement with Equity Bank but rather remit payments through Financial Sector Deepening. Nevertheless, the statements were availed for audit review subsequently.	Resolved



Principal Secretary
Nelson Marwa Sospeter, **EBS**



Project Coordinator
John Gachigi



Project Accountant
Moses O. Muga
ICPAKM/Number: **14266**

ANNEX 1

HUNGER SAFETY NET PROGRAMME
PENDING BILLS AS AT 30TH JUNE 2019

SUPPLIER	DETAILS	AMOUNT
ARID YOUTHS	Delivery of Tyres	258,404.00
CROWN MOTORS	Purchase of MV	252,501.00
EMPLOYEES COMPENSATION	Payment of Gratuity	379,330.75
<hr/>		
TOTAL		890,235.75

