

REPUBLIC OF KENYA



REPORT

OF


THE AUDITOR-GENERAL

ON

**STUDY AND CAPACITY BUILDING FUND
PROJECT (GRANT NUMBERS CKE 6015 01K,
CKE 1043 01F AND CKE 1047 01K)**

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

THE NATIONAL TREASURY

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 23 MAR 2023	DAY: THURSDAY
TABLED BY:	MAJORITY LEADER
CLERK-AT-THE-TABLE:	



STUDY AND CAPACITY BUILDING FUND PROJECT

**THE NATIONAL TREASURY
(RESOURCE MOBILISATION DEPARTMENT)**

PROJECT GRANT/CREDIT NUMBER:

CKE6015.01. K AFD FRANCE

CKE1047.01. K AFD FRANCE

CKE1043.01. F AFD FRANCE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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

THE NATIONAL TREASURY
Study and Capacity Building Fund Project
Annual Report and Financial Statements for the financial year ended June 30, 2022

Table Contents

1. Project Information and Overall Performance	iv
2. Statement of Performance against Project's Predetermined Objectives.....	xi
3. Environmental and Sustainability reporting	xii
4. Statement of Project Management responsibilities	xiii
5. Report of the Auditor General on Study and Capacity Building Fund Project.....	xv
6. Statement of Receipts and Payments for the year ended 30th June 2022.....	1
7. Statement of Financial Assets as at 30 th June 2022.....	2
8. Statement of Cashflow for the year ended 30 th June 2022.....	3
9. Statement of Comparison of Budget and Actual amounts for the year ended 30 th June 2022.....	4
10. Significant Accounting Policies.....	5
11. Notes to the Financial Statements	11
12. Prior Year Auditor-General's Recommendations	13
13. Annexes	14

1. Project Information and Overall Performance

1.1 Name and registered office

The project's official name is **Study and Capacity Building Fund Project**.

Objective

The key objective of the project is Financing of Feasibility studies for projects to be financed by AFD and to build capacity of implementing Ministries and Departments.

Address

The project Headquarters location and contacts is as below:

P.O. Box 30007- 00100,
 Treasury Building,
 Harambee, Avenue
NAIROBI, KENYA
 Telephone: (254)020-2252299
 Email: info@treasury.go.ke
 Website: www.treasury.go.ke

The project does not have other offices or branches.

Project information and overall performance

1.2 Project Information

Project Start Date:	a) CKE6015.01.K project start date is 21.09.2007 b) CKE1047.01.K project start date is 25.09.2009 c) CKE1043.01.F project start date is 21.10.2011
Project End Date:	a) CKE6015.01.K, End date: 30.04.12, Extension up to 30.04.14, Additional Extension 31.12.2024. b) CKE1047.01.K, End date: 31.12.14, Extension up to 30.06.19, Additional Extension 31.12.2024. c) CKE1043.01.F, End date: 31.12.16, Extension up to 30.06.20; Additional Extension to 30th June 2023.
Project Manager:	Mr Badu S. Katelo, Ag. Director Resource Mobilization Department
Project Sponsor:	Agence Française de Development (AFD)

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Resource Mobilization Department of the National Treasury.
Project number	The Project has three signed agreements: i. CKE6015.01.K ii. CKE1047.01.K iii. CKE1043.01.F
Strategic goals of the project	The strategic goals of the project are as follows: i. To facilitate studies and preparation for projects that AFD intend to finance: ii. To build capacity of the beneficiary Ministries, Departments and sometimes the communities where the project is to be implemented.
Achievement of strategic goals	The project management aims to achieve the goals through the following means: i. Ensuring projects are properly planned before implementation ii. Ensuring the beneficiaries have enough capacity
Other important background information of the project	The project grant will help in financing priority development studies and project's feasibility studies, as well as technical assistance supports to help preparing AFD's future intervention in both the concentration sectors defined in the Partnership Framework Agreement and other sectors like urban development
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: i. In the light of the requirements for new projects as outlined in the Treasury circular 16/2019, the project supports feasibility studies. ii. The project has facilitated training of the Government of Kenya officers in various skills and competencies related to resource mobilization.

Project duration	<p>The project started on various dates as follows:</p> <ul style="list-style-type: none"> i. CKE6015.01.K, start date: 21st September, 2007 ii. CKE1047.01.K, start date: 25th September, 2009 iii. CKE1043.01.F, start date: 21st October, 2011 <p>To run until as indicate below:</p> <ul style="list-style-type: none"> i. CKE6015.01.K, with an end date of 30th April, 2012, Extension up to 30th April, 2014 Additional Extension 31st December 2021. ii. CKE1047.01.K, with an end date of 31st December, 2014, Extension up to 30th June, 2019 Additional Extension 31st December 2024. iii. CKE1043.01.F, with an end date of 31st December, 2016, Extension up to 30th June, 2020: Additional Extension to 30th June 2023
------------------	--

1.4 Bankers

The Project does not have a bank account as all payments are done directly by the donor in the form of A.I.A after approval from The National Treasury.

1.5 Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University way
P.O Box 30084-00100,
NAIROBI KENYA

1.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Dr. Julius Muia, PhD, EBS	Principal Secretary	Accounting Officer	Accounting Officer
Badu S. Katelo	Director Resource Mobilization	Ag. Director	Project Manager
Christine Dambya	Principal Accountant	Accountant	Project Accountant

1.7 Funding summary

The Project has three Grant Agreements as follows:

Project No.	Amount (Euro)	Project Start date	Project end date
CKE6015.01.K	1,500,000.00	21 st September, 2007	31 st December, 2024
CKE1047.01.K	500,000.00	25 th September, 2009	31 st December, 2024
CKE1043.01.F	800,000.00	21 st October, 2011	30 th June, 2023
Total	2,800,000.00		

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment		Amount received to date – (30 June 2022)		Undrawn balance to date	
	Euro	Kshs	Donor currency Kshs	Kshs	Donor currency Kshs	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
Agence Française de Développement	2,800,000	338,800,000	1,838,007	217,090,388	961,993	121,709,612
Total	2,800,000	338,800,000	1,838,007	217,090,388	961,993	121,709,612

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2022)		Cumulative amount paid to date – (30 th June 2022)		Unutilised balance to date (30th June 2022)	
	Donor currency	Kshs	Donor currency Kshs	Kshs	Donor currency Kshs	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
Agence Française de Développement	1,838,007	217,090,388	217,090,388		-	-
Total	1,838,007	217,090,388	217,090,388		-	-

Project information and overall performance (continued)

1.8 Summary of Overall Project Performance:

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

Study and Capacity Building project was allocated Kshs.18,700,000.00 during FY 2020-21 and attained an actual expenditure of Kshs.15,827,126.00. The cumulative payments to date total Kshs.217,090,388.00

ii) Physical progress based on outputs, outcomes, and impacts since project commencement

- a) Over 20 officers attended various trainings in areas related to resource mobilization and utilization thereby boosting proficiency of their work.
- b) The project has provided office equipment thereby boosting delivery of services to the public.

iii) Comment on value-for-money achievements

- a) The technical assistant (attached to the Resource Mobilization Department) mobilized approximately Kshs.30 B for the Government of Kenya from bilateral partners.
- b) The technical assistant (attached to the Resource Mobilization Department) was instrumental in facilitating Debt Service Suspension Initiative (DSSI) which enabled the Government of Kenya suspend external debt of approximately to Kshs.55 B.
- c) The technical assistant (attached to the PFMR Secretariat) supported the Government of Kenya in implementation of PFMR reforms especially in budgeting, macro & fiscal affairs, auditing and project appraisals through trainings and peer exchange programmes. This has greatly improved implementation of projects and the quality of new projects.

iv) The absorption rate for each year since the commencement of the project is as tabulated below.

FINANCIAL YEAR	ABSORPTION RATE
2016-2017	26%
2017-2018	35%
2018-2019	89%
2019-2020	37%
2020-2021	49%
2021-2022	85%

Project information and overall performance (continued)

v) Implementation challenges and recommended way forward

The major challenge that affected the project was the COVID pandemic which contributed to some activities which were to be taken in the past years during the pandemic to be pushed to the current year.

1.9 Summary of Project Compliance:

i) The project has complied to all applicable laws and regulations.

All relevant statutory provisions pertaining to budgeting, disbursement, financial reporting and procurement as stipulated in the relevant Acts were followed in the acquisition of goods and services

ii) There have never been any consequences which the project has suffered since all the rules and regulations have been complied.

iii) The mitigation measures taken are sensitization of the staff on the applicable laws and indicating the consequences they can face in not abiding to the regulations.

All staff in the Resource Mobilization Department attend annual retreats where they are taken through the Operational Manual as a way of sensitizing them on applicable laws and regulations.

2. Statement of Performance against Project's Predetermined Objectives

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key development objectives of the project's agreement/ plan are to;

- a) Finance studies or expertise for project identification, project feasibility studies in different sectors or institutional studies, prior to the approval of new AFD financing;
- b) Finance Resident Technical assistance responsible for identification or preparation of AFD financing in the priority sectors of intervention of the Partnership Framework Document (PFD);
- c) Under exceptional circumstances, finance ad hoc studies and resident technical assistance in other areas.
- d) Provide the Government with an easy-to-use tool which focuses on the financing of jointly identified development studies and selective technical assistances and consultancies; and
- e) Support the Government in the preparation of projects that might be financed by the Agency in particular in the Agency's usual sectors of activity in Kenya.

Progress on attainment of strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement:

THE NATIONAL TREASURY

Study and Capacity Building Project

Annual Report and Financial Statements for the financial year ended June 30, 2022

Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
Study and Capacity Building Fund	To finance feasibility studies and strengthen capacities of Ministries, Department and Agencies (MDs)	Appraised projects are economically viable and demonstrate value for money.	Number of projects appraised.	A feasibility study on 'Kenya Parks Project' was undertaken in FY 2021/2022

3. Environmental and Sustainability reporting

Study and Capacity Building Fund Project did not take part in Corporate Social Responsibility activities during the year.

4. Statement of Project Management responsibilities

The **Principal Secretary** for the National Treasury and the **Project Manager** for **Study and Capacity Building Fund Project** are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on June 30, 2022.

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

The **Principal Secretary** for the National Treasury and the **Project Manager** for **Study and Capacity Building Fund Project** accept responsibility for the Project's Financial Statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

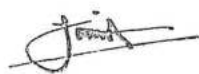
The **Principal Secretary** for the National Treasury and the **Project Manager** for **Study and Capacity Building Fund Project** are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2022, and of the Project's financial position as at that date. The **Principal Secretary** for the National Treasury and the **Project Manager** for **Study and Capacity Building Fund Project** further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The **Principal Secretary** for the National Treasury and the **Project Manager** for **Study and Capacity Building Fund Project** confirm that the Project has complied fully with applicable

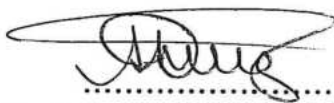
Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project Financial Statements

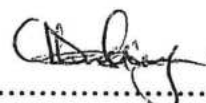
The Project Financial Statements were approved by the **Principal Secretary** for the National Treasury and the **Project Manager** for **Study and Capacity Building Fund Project** on 30/11 2022 and signed by them.



.....
Julius M. Muia, PhD, CBS
Principal Secretary



.....
Badu S. Katelo
Project Manager



.....
Christine C. Dambya
Project Accountant
ICPAK Member No:13329

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
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 STUDY AND CAPACITY BUILDING FUND PROJECT (GRANT NUMBERS CKE 6015 01K, CKE 1043 01F AND CKE 1047 01K) FOR THE YEAR ENDED 30 JUNE, 2022 - THE NATIONAL TREASURY

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Study and Capacity Building Fund Project set out on pages 1 to 13, which comprise of the statement of financial assets

as at 30 June, 2022, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Study and Capacity Building Fund Project as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreements Nos. CKE 6015 01K, CKE 1047 01K and CKE 1043 01F between the Agence Francaise De Development (AFD) and the Government of Kenya dated 21 September, 2007, 25 September, 2009 and 21 October, 2011 respectively, and subsequently extended through letters of amendments on 10 July, 2020, 13 August, 2021 and 10 July, 2020 respectively, and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Study and Capacity Building Fund Project Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.18,700,000 and Kshs.15,827,126 respectively, resulting to an under-funding of Kshs.2,872,874 or 18% of the budget. Similarly, the Project expended Kshs.15,827,126 against an approved budget of Kshs.18,700,000 resulting to an under-expenditure of Kshs.2,872,874 or 18% of the budget. Management has attributed the underperformance on delay in procurement of process for computers and office furniture.

The underfunding and underperformance affected the planned activities and impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Irregular Termination of Technical Assistant's Contract

As previously reported, contrary to the provisions of Section 153(1) of the Public Procurement and Asset Disposal Act, 2015, the contract for a Technical Assistant (consultant) was terminated without the approval of the Accounting Officer. Further, no prior written notice was served to the consultant contrary to Clause 13 of the signed contract. The project may incur undetermined cost in form of damages and interests thereof in case of any litigation on the above.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal 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 noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

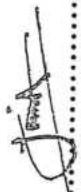
Nairobi

17 November, 2022


6. Statement of Receipts and Payments for the year ended 30th June 2022.

Note	Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payments controlled by the entity	Payments made by third parties	Total	2020-2021		Cumulative to-date (from inception)
							Kshs.	Kshs.	
Receipts									
Loan from External Development Partners	1	-	15,827,126	-	9,075,750	9,075,750			
Total receipts		-	15,827,126	-	9,075,750	9,075,750			217,090,388
Payments									
Purchase of goods and services	2	-	15,827,126	-	9,075,750	9,075,750			
Acquisition of non-financial assets	3	-	-	-	-	-			1,346,320
Total payments		-	15,827,126	-	9,075,750	9,075,750			217,090,388
Surplus/ (deficit)		-	-	-	-	-			-

The accounting policies and explanatory notes to these Financial Statements are an integral part of the Financial Statements.



Julius M. Muia, PhD, CBS
 Principal Secretary
 The National Treasury



Badu S. Katelo
 Project Manager



Christine C. Dambya
 Project Accountant

ICPAK Member No:13329

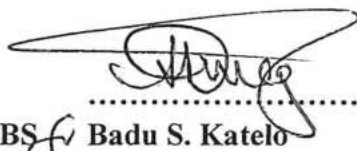
7. Statement of Financial Assets as at 30th June 2022

Description	Note	2021-2022	2020-2021
		Kshs	Kshs
Financial Assets			
Cash and Cash equivalents			
Bank Balances		-	-
Cash Balances		-	-
Cash equivalents (Short-term deposits)		-	-
Total Cash and Cash equivalents		-	-
Total Financial Assets		-	-
Financial Liabilities			
Net Assets		-	-
Represented By			
Fund Balance B/fwd.		-	-
Prior Year adjustments			-
Surplus/(Deficit) for the Year		-	-
Net Financial Position		-	-

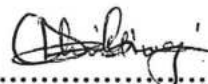
The accounting policies and explanation notes to these Financial Statements form an integral part of the Financial Statements. The Financial Statements were approved on 2022 and signed by



.....
Julius M. Muia, PhD, CBS
Principal Secretary



.....
Badu S. Katelo
Project Manager



.....
Christine C. Dambya
Project Accountant
ICPAK Member No:13329

8. Statement of Cashflow for the year ended 30th June 2022


Description	Notes	2021-2022	2020-2021
		Kshs	Kshs
Cashflow from operating activities			
Receipts			
Loan from External Development Partners	1	15,827,126	9,075,750
Total receipts		15,827,126	9,075,750
Payments			
Purchase of goods and services	2	(15,827,126)	(9,075,750)
Total Payments		(15,827,126)	(9,075,750)
Net cash flow from operating activities		-	-
Cashflow from investing activities			
Net cash flows from investing activities		-	-
Cash flow from financing activities			
Proceeds from foreign borrowings		-	-
Cash and cash equivalent at beginning of the year		-	-
Cash and cash equivalent at end of the year		NIL	NIL

The accounting policies and explanatory notes to these Financial Statements form an integral part of the financial statements. The Study and Capacity Building Fund Project Financial Statements were approved on 30/11 2022 and signed by:



.....
Julius M. Muia, PhD, CBS
Principal Secretary

.....
Badu S. Katelo
Project Manager

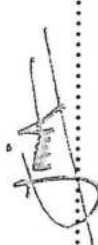


.....
Christine C. Dambya
Project Accountant
ICPAK Member No:13329

9. Statement of Comparison of Budget and Actual amounts for the year ended 30th June 2022

Receipts/Payments Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
Receipts						
Loan from External Development Partners	18,700,000	-	18,700,000	15,827,126	2,872,874	85%
Total Receipts	18,700,000	-	18,700,000	15,827,126	2,872,874	85%
Payments						
Purchase of goods and services	18,700,000	-	18,700,000	15,827,126	2,872,874	85%
Total Payments	18,700,000	-	18,700,000	15,827,126	2,872,874	85%
Surplus or Deficit	-	-	-	-	-	-

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


.....

Julius M. Muia, PhD, CBS
Principal Secretary
The National Treasury


.....

Badu S. Katelo
Project Manager


.....

Christine C. Dambya
Project Accountant
ICPAK Member No:13329

10. Significant Accounting Policies

The principal accounting policies adopted in the preparation of these Financial Statements are set out below:

10.1 Statement of compliance and basis of preparation

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

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

10.2 Reporting entity

The Financial Statements are for Study and Capacity Building Project under the National Treasury. The Financial Statements are for the reporting entity Study and Capacity Building Project as required by Section 81 of the PFM Act, 2012 .

10.3 Reporting currency

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

10.4 Recognition of receipts

Study and Capacity Building Project recognises all receipts from the various sources when the event occurs, and the related cash has actually been received.

i) Transfers from the Exchequer

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

ii) External Assistance

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

Significant Accounting Policies (Continued)

iii) Other receipts

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

iv) 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.

v) Proceeds from borrowing

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

vi) 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.

10.5 Recognition of payments

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

i) Compensation to employees

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

ii) Use of goods and services

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

Significant Accounting Policies (Continued)

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

v) Acquisition of fixed assets

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

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

10.6 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.

10.7 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)

For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

10.8 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.

10.9 Imprests and Advances

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

10.10 Contingent Liabilities

A contingent liability is:

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

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

Significant Accounting Policies (Continued)

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

10.11 Contingent Assets

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

10.12 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' 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.

10.13 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.

10.14 Third party payments

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments are disclosed in the payment to third parties' column in the statement of receipts and payments. During the year, Kshs NIL being loan disbursements were received in form of direct payments from third parties.

10.15 Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

10.16 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.

10.17 Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2022.

10.18 Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s).

11. Notes to the Financial Statements

11.1 Loan from External Development Partners

During the financial period to 30 June 2022, we received grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment	Grants received in kind	Total amount in Kshs	
						2021-2022	2020-2021
			Kshs	Kshs	Kshs	Kshs	Kshs
Grants Received from Bilateral Donors (Foreign Governments)							
AFD - France				15,827,126		15,827,126	9,075,750
Total				15,827,126		15,827,126	9,075,750

11.2 Purchase of Goods and Services

	2021/2022			2020/2021	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Consultancy services	-	8,785,538	8,785,538	9,075,750	204,565,340
Training Payments	-	7,041,588	7,041,588	-	11,178,728
Total	=	<u>15,827,126</u>	<u>15,827,126</u>	<u>9,075,750</u>	<u>215,744,068</u>

Notes to the Financial Statements (Continued)

11.3 Acquisition of Non-Financial Assets

	Payments made in Cash	Paymen ts made by third parties	Total paymen ts	Total payme nts	Cumulati ve to-date
	2021-2022			2020- 2021	
	Kshs.	Kshs.	Kshs	Kshs	Kshs
Purchase of household furniture & institutional equipment	-	-	-	-	1,346,320
Total	=	=	=	=	<u>1,346,320</u>

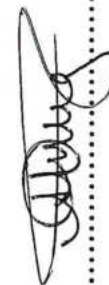
THE NATIONAL TREASURY
Study and Capacity Building Fund Project
Annual Report and Financial Statements for the financial year ended June 30, 2022

12. Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue/Observations from Auditor	Management Comments	Status (Resolved/Not Resolved)	Timeframe (Plan a date when you expect the issue to be resolved)
73	Budgetary control and performance-planned activities of the project were not achieved	The project had scheduled some trainings but due to restrictions imposed by Covid 19 pandemic the trainings could not take place	Not resolved	N/A
74	Irregular Termination of the technical assistant	The technical assistant was single sourced based on his previous assignments and experience. This contract was subsequently cancelled in January 2020 as recommended in the Audit report of FY 2018/2019 and re-advertised according to the development partners guidelines.	Not resolved	N/A



.....
Julius M. Muia, PhD, CBS
Principal Secretary
The National Treasury



.....
Badu S. Katelo
Project Manager



.....
Christine C. Dambya
Project Accountant
ICPAK Member No:13329

13. Annexes

Annex1 - Variance explanations - Comparative Budget and Actual amounts for FY 2021-2022

	Final Budget	Variance Comparable Base	Budget Utilization Difference	% of Utilization	Comments on Variance (below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
Receipts					
Loan from External Development Partners	18,700,000	15,827,126	2,872,874	85%	
Total Receipts	18,700,000	15,827,126	2,872,874	85%	
Payments					
Purchase of goods and services	18,700,000	15,827,126	2,872,874	85%	
Total payments	18,700,000	15,827,126	2,872,874	85%	

Annex 2 – Summary of Fixed Assets Register

Asset class	Opening Cost (KShs) 2021/22	Donations in form of assets (KShs) 2021/22	Purchases/ Additions in the Year (KShs) 2021/22	Disposals in the Year (KShs) 2021/22	Transfers in/out (KShs 2021/22)	Closing Cost (KShs) 2022
	(a)	(b)	(c)	(d)	(e)	(e)=(a)+(b)+(c)-(d)+(-)d
Office equipment, furniture and fittings	1,346,320					1,346,320
Total	1,346,320					1,346,320

*Study and Capacity Building Fund Project
Reports and Financial Statements
For the financial year ended June 30, 2022*

THE NATIONAL TREASURY & PLANNING RESOURCE MOBILIZATION DEPARTMENT STUDY AND CAPACITY BUILDING FUND PROJECT CASH BOOK FOR THE FINANCIAL YEAR 1ST JULY 2021 TO 30TH JUNE 2022									
DATE	DETAILS	CASH	BANK	DATE	DETAILS	P.V. No.	CASH	BANK	
30.06.2021	Balance b/fwd		15,827,126.00		COLLINS ASEKA	539			330,750.00
					COLLINS ASEKA	1675			330,750.00
					DICKSON KHAINGA	3299			480,000.00
					DICKSON KHAINGA	3300			480,000.00
					MOSES KANAGI	3701			980,872.00
					NAOMI MATHERI	3699			831,574.00
					GEOFFREY SIGEI	3698			727,210.00
					ESAMI	3700			769,350.00
					NGURUMAH TOURS	3697			195,720.00
					COLLINS ASEKA	3788			330,750.00
					CHRISTINE ONDABU	3934			395,079.00
					MARGARET NYONGESA	3931			395,079.00
					ESAMI	3930			666,000.00
					JULIA MKONGO	3933			436,926.00
					NANCY WANDATI	3932			436,926.00
					DICKSON KHAINGA	8107			480,000.00
					DICKSON KHAINGA	8106			480,000.00
					KIZITO KIGUTA	8106			436,926.00
					CHRISTINE DAMBYA	8105			436,926.00
					ESAMI	8104			333,000.00
					COLLINS ASEKA	9598			330,750.00
					DICKSON KHAINGA	9599			480,000.00
					COLLINS ASEKA	10614			330,750.00
					COLLINS ASEKA	10615			330,750.00
					COLLINS ASEKA	19511			330,750.00
					DICKSON KHAINGA	19934			480,000.00
					DICKSON KHAINGA	19935			480,000.00
					DICKSON KHAINGA	19933			480,000.00
					COLLINS ASEKA	20017			330,750.00
					COLLINS ASEKA	38438			330,750.00
					DICKSON KHAINGA	37959			480,000.00
					DICKSON KHAINGA	37958			480,000.00
					COLLINS ASEKA	39781			330,750.00
					COLLINS ASEKA	42100			330,750.00
					COLLINS ASEKA	42369			347,288.00
					15				15,827,126.00
				30.06.2021	Balance c/fwd				
			15,827,126.00						15,827,126.00

Prepared by:

Signed by:

Annex 4: Other Support Documents

- i. Bank Reconciliations statement as at 30th June 2022
- ii. Special Deposit Account(s) reconciliation statement(s)
- iii. GOK IFMIS comparison Trial Balance

