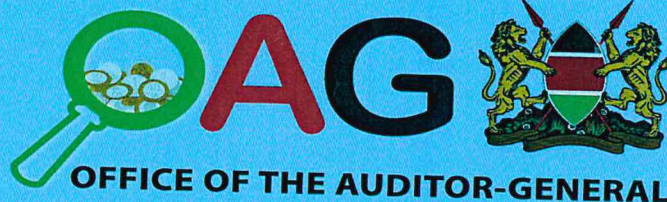


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 03 FEB 2022 **THE AUDITOR-GENERAL**

TABLED
BY:

LDM

ON

CLERK-AT
THE-TABLE:

Heah Wanjiru

**EMERGENCY LOCUST RESPONSE
PROJECT (IDA CREDIT NO.6648-KE)**

**FOR THE YEAR ENDED
30 JUNE, 2021**

**STATE DEPARTMENT FOR CROP
DEVELOPMENT AND AGRICULTURAL
RESEARCH**

10-11-12

10-11-12



EMERGENCY LOCUST RESPONSE PROJECT

MINISTRY OF AGRICULTURE, LIVESTOCK, FISHERIES AND COOPERATIVES

State Department for Crop Development & Agricultural Research

PROJECT CREDIT NUMBER 6648

REVISED ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2021**

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

*Emergency Locust Response Project
Reports and Financial Statements
For the financial year ended June 30, 2021*

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

(a) Background information

The Desert Locust invasion in Kenya has been recorded as the worst in 70 years and has posed a severe food security threat to about 3 million people. The invasion started on 28th December 2019 from Eastern Ethiopia and Western Somalia and has since spread to twenty-eight counties. The invasion has posed a risk to food and nutrition security and livelihoods thus undermining the economic growth. The second generation started forming swarms in April 2020, coinciding with the main planting season in Kenya and many other parts in East Africa.

The PDO will be achieved through the implementation of four components that have been summarized indicating the type of interventions that will be financed under the program. The Project is expected to benefit all the farmers in the DL affected counties in Kenya. Component 1, 3 and 4 will be implemented in all the counties that have experienced locust infestations. However, component 2 will be implemented in specific wards that were affected by the DL infestation in the 15 of the most severely impacted counties in the country. The primary project beneficiaries will be affected farmers, pastoralists and households that have been affected by the locust upsurge and are food insecure. Vulnerable and marginalized households and female headed households will be prioritized in the targeting process.

(b) Principal Activities

The object and purpose for which the program is established *is to prevent and respond to the threat to livelihoods posed by the Desert Locust outbreak and to strengthen Kenya's system for preparedness.*

The specifically activities shall include-

- i. Surveillance and Control Measures;
- ii. Livelihood Protection and Rehabilitation;
- iii. Coordination and Early Warning Preparedness; and
- iv. Project Management.

1.1 Name and registered office

Name: The project's official name is *Emergency Locust Response Project.*

Entity Headquarter

P.O Box 30028
Kilimo House Building
Cathedral Road
Nairobi, Kenya

Emergency Locust Response Project
Reports and Financial Statements
For the financial year ended June 30, 2021

Contacts: The following are the project contacts

Project coordinator: (254) 720 825 332
 Alternate Project coordinator: (254) 723 824 015
 Project Accountant: (254) 721 290 378

1.2 Project Information

Project Start Date:	The project start date is 28th June 2020
Project End Date:	The project end date is 19th May 2023
Project Manager:	The project manager is Esther Mueni Wambua
Project Sponsor:	The project sponsor is International Development Association (IDA)

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Agriculture, Livestock, Fisheries and Cooperatives.
Project number	Credit reference 6648 KE
Strategic goals of the project	Overall goal of the project is to prevent and respond to the threat to livelihoods posed by the Desert Locust outbreak and to strengthen Kenya's system for preparedness.
Achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> (i) <i>The first and the second Desert Locust invasion from Eastern Ethiopia and Western Somalia and spread to twenty-eight (28) counties were controlled.</i> (ii) <i>Effective surveillance and control measures were undertaken using both aerial and ground measures that resulted in restoration of livelihoods of the affected households.</i> (iii) <i>WB has spearheaded Through ELRP training and sensitization of about 1,673 personnel on surveillance and spray operations, drawn from County extensions officers, NYS personnel, local youths, drivers, young Desert locust professionals, lead farmers and the local administration from the affected Counties.</i> (iv) <i>Preparation of the Project Implementation Manual (PIM) and appointment of the Project Coordination Unit plus training of both NPCU and CPCU on issues touching DL controls, ESS, GBV and Restoration of livelihood.</i> (v) <i>A total of 22,000 litres of pesticide (Fenitrothion ULV) 4,000 PPEs were procured under ELRP partly distributed and some kept in the PPSD stores.</i>

Emergency Locust Response Project
Reports and Financial Statements
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Other important background information of the project	<i>The project is focused on achieving 100% prevention and responding to the threat to livelihoods posed by the Desert Locust outbreak and to strengthen Kenya's system for preparedness.</i>
Current situation that the project was formed to intervene	<ol style="list-style-type: none">1. The project support would also enhance preparedness and improve capacity for timely and effective response to future locust outbreaks and upsurges.2. The project is supporting air surveillance and hired surveillance aircraft. Suspected breeding sites from the Counties invaded in the first phase are under active surveillance for any cases of new emergence.
Project duration	<i>The project started on 28th June 2020 and is expected to run until 19th May 2023.</i>

1.4 Bankers

The following are the bankers for the current year:

- Central Bank of Kenya.....1000485566

1.5 Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O Box 30084
GPO 00100

***Emergency Locust Response Project
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For the financial year ended June 30, 2021***

1.6 Roles and Responsibilities

List the different people who work with the project. This list would include the project manager and all the key stakeholders who are involved with the project activities. Also, record their role, their positions, and their contact information.

Names	Title designation	Key qualification	Responsibilities
1. Esther Mueni Wambua	Project coordinator	MSc. Crop protection, BSc. Agriculture	Project management Crops Specialist and Component 2 & 4 implementer
2. Collins Marangu	Deputy Project coordinator	MSc. Crop protection, BSc. Agriculture Plant Protection Specialist	Component 1 leader
3. DR. Douglas Indetie	Principal Research Scientist	PhD Msc, Bsc Cooperate Governance Research Management Senior Management Courses	Livestock Expert Component 2 implementer
4. Catherine Kinyanjui	Socio Economist & Communication Specialist	Msc. Agricultural Economics Bsc. Agricultural Economics	Component-Coordination of Livelihood restoration and rehabilitation activities
5. Johnson Ndolo	Principal Livestock production officer	Bsc. Agriculture, MSc. Entrepreneurship, DIP.in Environmental studies and Dip in Social Sustainability	Social Specialist
6. Kennedy Orumo	Principal Agricultural production Officer	PGDE, BSc. Horticulture and Master trainer DL.	Component Leader 3
7. Kithaka Mutua	Principal Livestock production Officer	MSc. Environmental Science and BSc. Animal production	Project M&E
8. Wesley Kiplimo	Accountant	MBA, B. Com, CPA(K) and CISA	Project Accountant
9. Julius Mutua	Senior Livestock Production Officer	Master Environmental Planning and Management and BSc. Agriculture	Environmental Specialist
10. Evans Maguli	SCMA	DIP	Supply chain officer

Emergency Locust Response Project
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For the financial year ended June 30, 2021

1.7 Funding summary

The Project is for duration of 3 years from 2020 to 2023 with an approved budget of EURO 39,300,000.00 with Kshs. 1,347,337,000.00 received in the first year of operations as highlighted in the table below:

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30/6/2021)		Undrawn balance to date (30/6/2021)	
	Donor currency EURO	KShs	Donor currency EURO	KShs	Donor currency EURO	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) LOA						
International Development Association (IDA)	39,300,000	4,300,000,000	10,000,000	1,347,337,000	29,300,000	2,952,663,000
Total	39,300,000	4,300,000,000	10,000,000	1,347,337,000	29,300,000	2,952,663,000

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2021)		Cumulative Amount paid to date – (30 th June 2021)		Unutilised balance to date (30 th June 2021)	
	Donor currency EURO	Kshs	Donor currency EURO	Kshs	Donor currency EURO	Kshs
	(A)	(A')	(A')	(B')	(A)-(B)	(A')-(B')
Loans						
International Development Association(ID A)	10,000,000	1,347,337,000	4,691,826	632,147,119	5,308,174	715,189,881
(ii) Counterpart funds						
Total	10,000,000	1,347,337,000	4,691,826	632,147,119	5,308,174	715,189,881

***Emergency Locust Response Project
Reports and Financial Statements
For the financial year ended June 30, 2021***

1.8 Summary of Overall Project Performance:

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

Level of Government	Amount Received 'Kshs'	Amount spent 'Kshs'	Unspent amount 'Kshs'
National Government	747,337,000	594,743,510	152,593,490
County Governments	600,000,000	37,403,609	562,596,391
Total	1,347,337,000	632,147,119	715,189,881

ii) Physical Progress Based on Outputs, Outcomes and Impacts Since Project Commencement

During the reporting period ending 30th June 2021 all the four components had activities on going towards realizing programme objectives. Due to Covid 19 Pandemic, there was a directive of working from home and a lockdown into and out of Nairobi, Mombasa and Mandera was imposed. During the months of February, to June, engagements were done virtually starting with management meetings to plan for the virtual meetings and share operational procedures and these were then followed with meetings convened by component leaders for each of the components. During the face to face meetings, capacity building was undertaken for all the members of four components. The project operated minimally in the counties due to delayed funding and also the NPCU had to meet the pre-requisite conditions of World Bank on GBV and environmental requirements.

iii) Value-for-money achievements

The following instruments have been prepared to ensure compliance to ESS and were accepted by World Bank:-

1. Environmental and social management framework for component 1,3 and 4;
2. Environmental and social management framework for component 2;
3. Integrated Pest management plan for component 1;
4. Integrated Pest management plan for component 2;
5. Waste management plan;
6. Emergency response plan;
7. Labour management procedures;
8. Security management plan;
9. Indigenous peoples planning framework (IPPF);
10. Gender based action plan 1;
11. Gender based action plan 2;
12. Stakeholder Engagement plan (revised);
13. Environmental and social commitment plan (revised);
14. TOR Environmental, social and health safety monitoring team;
15. GRM guidelines.

iv) Indicate the absorption rate for each year since the commencement of the project

Level of Government	Amount Received 'Kshs'	Amount spent 'Kshs'	absorption rate 'Kshs'
National Government	747,337,000	594,743,510	79.58%
County Governments	600,000,000	37,403,609	6.23%

v) List the implementation challenges and recommended way forward.

The funding for the programme was unlocked in March 2021 after the Ministry opened the operational account and the Treasury disbursed project funding. The programme activities undertaken therefore only cover March, April, May and June 2021. Transfer of funds to county governments was delayed due to the fact that their budgets had not been captured in CARA and hence was supposed to be remitted as AEIs. The same were transferred late in June 2021 which hindered their operations.

The Covid 19 Pandemic that restricted physical meetings and when the lockdown into and out some counties was imposed was effected in March, there was a directive of working from home. During the month of May, engagements were done virtually starting with management meetings to plan for the virtual meetings and share operational procedures and these were then followed with virtual meetings convened by component leaders for each of the components.

1.9 Summary of Project Compliance:

There was no significant cases or any case of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants, hence there wasn't any consequences suffered on account of non-compliance or likely to be suffered.

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 2020-2023* plans are to:

Focused on achieving 100% prevention and responding to the threat to livelihoods posed by the Desert Locust outbreak and to strengthen Kenya's system for preparedness. This can be achieved through:-

- (i) Continuous surveillance of Desert locust and control Measures;
- (ii) Livelihood Protection and Rehabilitation of the affected households; and
- (iii) Coordination and Early Warning Preparedness of any threat that might be caused by desert locust;

In overall, the results of the grant should measurably restore the livelihood of the affected households and significantly reduced the thread that might be caused by desert locust invasion with readiness to deal with any invasion through continuous surveillances throughout the likely affected counties across the country. The same should ensure coordination and collaborations with the neighbouring countries to defect desert locust invasion.

Specifically, the programme targets to the following;

(i) Component 1- Surveillance and Control Measures;

- The objective of this component is to limit the increase and spread of existing climate-change-induced DL populations.
- The component focuses on: i) control operations; ii) training and equipping of DL control teams; iii) mitigating the risks associated with control measures and their impacts on human health, animal health and the environment; iv) awareness creation, information sharing, communication campaigns and grievances redress activities/mechanisms.

(ii) Component 2- Livelihoods Protection and Rehabilitation;

- The objective of this component is to safeguard and protect the poor and vulnerable households from human capital and asset losses resulting from the effects of locust invasion.
- The component is supporting initiatives to enhance access to food and rehabilitate food production systems and livelihoods that have been damaged by DL swarms. The affected farmers and livestock-holding households will be supported to restore their productive assets for enhanced adaptation and resilience. Supporting households will include:- i) crops and livestock TIMPs/packages to restore livelihoods; ii) Community projects to rehabilitate degraded pasture and crop lands, enhancing storage capacity for feed and produce; iii) strengthen producer organizations to upscale their operations – input bulk purchasing; storage,

value addition, marketing; iv) emergency response for immediate restoration of pastures, food security v) Livelihood diversification will emphasize alternative livelihood activities.

(iii) Component 3- Coordination and Early Warning Preparedness;

- The objective of this component is to strengthen Kenyan systems for early warning, surveillance and control operations of the desert locust at County, National and regional levels. The focus of this component is to build capacity for prevention and rapid response to new and existing climate change-induced locust infestations thereby limiting in-country and cross-border spread and infestations.
- The component will focus on:- i) Setting up surveillance systems and units; ii) capacity building of staff; iii) installation of surveillance units and equipping; iv) linking with international and regional organizations to strengthen early awareness and preparedness systems; v) limiting the spread of swarms within Kenya and across the region

(iv) Component 4 - Project Management

This component will support coordination and management of project functions including: financing, procurement, training, monitoring and evaluation. Project coordination will be undertaken by the three main institutions to be established at each level (national, county and community levels), namely; National Project coordination unit (NPCU), the County project coordination unit (CPCU) and the community driven development committees (CDDC) respectively.

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: Below we provide the progress on attaining the stated objectives:

Emergency Locust Response Project
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Project	Objective	Outcome	Indicator	Performance
The object and purpose for which the program is established <i>is to prevent and respond to the threat to livelihoods posed by the Desert Locust outbreak and to strengthen Kenya's system for preparedness.</i>	Objectives: The project will be organized under the following 4 objectives <ul style="list-style-type: none"> Desert Locust Surveillance and Control Measures in the affected counties; Livelihood restoration of the affected households and Protection and Rehabilitation of the affected areas ; Coordination and Early Warning Preparedness in regards to desert locust invasion; and 	<ul style="list-style-type: none"> Component 1 to limit the increase and spread of existing climate-change-induced Desert Locust populations. Component 2 is to safeguard and protect the poor and vulnerable households from human capital and asset losses resulting from the effects of locust invasion. The component is supporting initiatives to enhance access to food and rehabilitate food production systems and livelihoods that have been damaged by DL swarms. The affected farmers and livestock-holding households will be supported to restore their productive assets for enhanced adaptation and resilience Component 3 is to strengthen Kenyan systems 	<p>Component 1</p> <ul style="list-style-type: none"> i) control operations; ii) training and equipping of DL control teams; iii) Mitigating the risks associated with control measures and their impacts on human health, animal health and the environment; iv) Awareness creation, information sharing, communication campaigns and grievances redress activities/mechanisms. <p>Component 2</p> <ul style="list-style-type: none"> i) Crops and livestock TIMPs/packages to restore livelihoods; ii) Community projects to rehabilitate degraded pasture and crop lands, enhancing storage capacity for feed and produce; iii) Strengthen producer organizations to upscale their 	<ul style="list-style-type: none"> A total of 614 desert locust swarms and 547 hopper bands invaded the country and 220 were treated reflecting a total area of 54,668Ha in 25 Counties during the first wave. A total of 812 desert locust swarms and 5 hopper bands invaded the country and 226 were treated reflecting a total area of 35,889Ha in 28 Counties during the second wave. The project supported air surveillance and hired surveillance aircraft. Suspected breeding sites from the Counties invaded in the first phase are under active surveillance for any cases of new emergence Training of Survey teams; 270 extension staff including local scouts trained from August to December 2020. Training of Environmental and health safety teams; over 90 staff trained from the Department of health and Environment drawn from the previously affected Counties. Training of Control teams; 60 staff from Wajir, Garissa and Mandera (20

Project	Objective	Outcome	Indicator	Performance
	<ul style="list-style-type: none"> Project Management. 	<p>for early warning, surveillance and control operations of the desert locust at County, National and regional levels. The focus of this component is to build capacity for prevention and rapid response to new and existing climate change-induced locust infestations thereby limiting in-country and cross-border spread and infestations.</p> <ul style="list-style-type: none"> Component 4 <p>This component will support coordination and management of project functions</p>	<p>operations – input bulk purchasing; storage, value addition, marketing; IV) Emergency response for immediate restoration of pastures, food security v) Livelihood diversification will emphasize alternative livelihood activities.</p> <p>Component 3</p> <ul style="list-style-type: none"> i) Setting up surveillance systems and units; ii) Capacity building of staff; iii) Installation of surveillance units and equipping; iv) Linking with international and regional organizations to strengthen early awareness and preparedness systems; v) Limiting the spread of swarms within Kenya and across the region. <p>Component 4</p> <p>financing, procurement, training, monitoring and evaluation</p>	<p>from each County) trained on Desert Locust Control.</p> <ul style="list-style-type: none"> Base managers (5), trained at PPSP and deployed to respective designated bases; Masinga, Isiolo, Turkana, Wajir and Garissa. Training on desert locust management and environment & social safeguards (ESS). 21 persons trained from County Project Coordinating Units (M&E Officers/ESS). Training of 45 County Project Coordinating Units (CPCUs) on community mobilization and Participatory Integrated Community Development Process. KWS rangers (30), from Tsavo North and East trained on Desert locust surveillance and control. additional 240 NYS Service (310 trained during the first wave) men trained on DL management and deployed to boost ground surveillance and control.

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The project aims at achieving 100% prevention and responding to the threat to livelihoods posed by the Desert Locust outbreak and to strengthen Kenya's system for preparedness. This can be achieved through continuous surveillance of Desert locust and control Measures; livelihood Protection and Rehabilitation of the affected households; and coordination and Early Warning Preparedness of any threat that might be caused by desert locust;

1. Sustainability strategy and profile -

The top management especially the accounting officer should make reference to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

The accounting officer has established a team of competent experts that deal with desert Locust threat prevention and restoration of affected livelihoods. They also deal with gender based violence and coordinated with international organisation to ensure DL threats are minimized or neutralized before invading the country.

2. Environmental performance

Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.

The project met disbursement conditions on 15th October, 2020 after developing and disclosing the twelve (12) pre-requisite environment and social safeguards documents which are strictly implemented by the project. The success of the same can be cited in cases where there environmental damage, the project initiates restoration plans to guard against more damages to the environment. The project also promotes environmental friendly policy and intervention.

3. Employee welfare

Give account of the policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA.)

The Ministry has in place HRM and HRD policies that require gender parity in employment, work plan activity implementation trainings etc. the project sponsors the employees to various trainings to improve their skills and ensure career progression. Semi-annually, employees are subject to appraisal to gauge their performances and to assess the grey areas in terms of below standards performance with those with commendable performance recommended for rewards.

4. Market place practices-

a) Responsible competition practice.

The programme in its work with various stakeholders has purposely sought out and ensured inclusion of various stake-holding interests in policy dialogue

b) Responsible Supply chain and supplier relations- explain how the organisation

The procurement of services under the programme are undertaken competitively and guided with the provisions of the public procurement and disposal Act

c) Responsible marketing and advertisement-outline efforts to maintain ethical marketing practices

Competitive tendering has been adopted by the project to ensure fair competition is achieved

d) Product stewardship- outline efforts to safeguard consumer rights and interests

All stakeholders including consumer organizations are given opportunity to give feedback and their take on the impact of policy reform proposals; In addition, all regulatory instruments are subjected to Regulatory Impact Assessments to establish their economic, social and legal impact on the public.

5. Community Engagements-

The project has established various Community Driven Development Committees (CDDC) across the fifteen counties that are mandates to implement community programmes in ensuring affected households are identified and the livelihood are restored to the initial levels before DL invasion. They are also involved in coordinating and training of community members on the best practices to deal with threats of DL invasion.

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

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


The *Principal Secretary* for the ***State Department for Crop Development & Agricultural Research*** and the *Project Coordinator* for ***Emergency Locust Response 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 ***State Department for Crop Development & Agricultural Research*** and the *Project Coordinator* for ***Emergency Locust Response Project*** are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2021, and of the Project's financial position as at that date. The *Principal Secretary* for ***State Department for Crop Development & Agricultural Research*** and the *Project Coordinator* for ***Emergency Locust Response 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 ***State Department for Crop Development & Agricultural Research*** and the *Project Coordinator* for ***Emergency Locust Response 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 ***State Department for Crop Development & Agricultural Research*** and the *Project Coordinator* for ***Emergency Locust Response Project*** on 29th September 2021 and signed by them.



Principal Secretary

Name: **Prof. Hamadi I. Boga (PhD), CBS**



Project Coordinator

Name: **Esther Mueni Wambua**

Emergency Locust Response Project
Reports and Financial Statements
For the financial year ended June 30, 2021

6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2021

	Not e	2020/2021			2019/2020	
		Receipts and payments controlled by the entity	Payments made by third parties	Total	Total	Cumulative to-date (From inception)
		KShs	KShs	KShs	KShs	KShs
RECEIPTS						
Loan from external development partners	9.4	1,347,337,000	-	1,347,337,000	-	1,347,337,000
KCSAP advance	9.9	-	56,433,771	56,433,771	-	56,433,771
TOTAL RECEIPTS		1,347,337,000	56,433,771	1,403,770,771	-	1,403,770,771
				-		-
PAYMENTS				-		-
Purchase of goods and services	9.5	573,212,098	56,433,771	629,645,869	-	629,645,869
Acquisition of non-financial assets	9.6	21,531,412	-	21,531,412	-	21,531,412
Expenses by other government entities	9.7	37,403,609	-	37,403,609	-	37,403,609
TOTAL PAYMENTS		632,147,119	56,433,771	688,580,890	-	688,580,890
SURPLUS/(DEFICIT)		715,189,881	-	715,189,881	-	715,189,881

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


Principal Secretary

Name: **Prof. Hamadi I. Boga (PhD), CBS**


Project Coordinator

Name: **Esther M. Wambua**


Project Accountant:

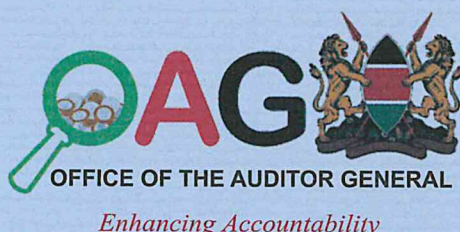
Name: **Wesley K. Kapketwony**

ICPAK Member Number: **13250**

(IPSAS 1.3.24 requires an entity to separately disclose third party payments separately on the statement of receipts and payments. These are payments made by development partners directly on behalf of the entity. In recognising these transactions, the receipts must be equal to the payments made and therefore there is no surplus or deficit.)

REPUBLIC OF KENYA

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Email: 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 EMERGENCY LOCUST RESPONSE PROJECT (IDA CREDIT NO.6648-KE) FOR THE YEAR ENDED 30 JUNE, 2021 - STATE DEPARTMENT FOR CROP DEVELOPMENT AND AGRICULTURAL RESEARCH

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Emergency Locust Response Project set out on pages 1 to 21, which comprise the statement of financial assets as at 30 June, 2021, 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 Emergency Locust Response Project as at 30 June, 2021, 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 Public Finance Management Act, 2012 and comply with the Financing Agreement No.6648-KE dated 28 May, 2020 between the Republic of Kenya and the International Development Association(IDA).

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Emergency Locust Response 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

Budget Control and Performance

The statement of comparative budget and actual amounts reflects loan from external development partners final budget and actual on comparable basis of Kshs.1,457,000,000 and Kshs.1,347,337,000, respectively resulting in an under-funding of Kshs.109,663,000 or 7.5% of the budget.

Similarly, the Project expended Kshs.688,580,890 against an approved budget of Kshs.1,457,000,000 resulting in an under-expenditure of Kshs.768,419,110 or 52.7% of

the budget. The underfunding and under expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

Other Information

The Management are responsible for the other information, which comprises project information and overall performance, statement of performance against project's predetermined objectives, statement of corporate social responsibility/sustainability reporting and statement of Project management responsibilities. The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were

operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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 of Project's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of 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 financial reporting process, reviewing the effectiveness of how the Project monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal 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 Emergency Locust Response Project - Credit No 6648 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 sustaining its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and 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

16 December, 2021

7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2021

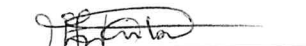
	Note	2020-2021	2019-2020
		KShs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances-CBK account	9.8.A	152,593,490	0
Counties cash balances	9.8.A	562,596,391	
Total Cash and Cash Equivalents		715,189,881	0
TOTAL FINANCIAL ASSETS		715,189,881	0
REPRESENTED BY			
Surplus/(Deficit) for the year		715,189,881	0
NET FINANCIAL POSITION		715,189,881	0

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on **29th September 2021** and signed by:



Principal Secretary

Name: **Prof. Hamadi I. Boga** (PhD), CBS



Project Coordinator

Name: **Esther M. Wambua**



Project Accountant:

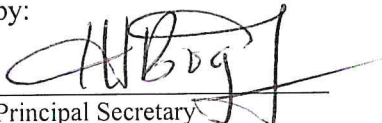
Name: **Wesley K. Kapketwony**
ICPAK Member Number: **13250**

Emergency Locust Response Project
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8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2021

		2021/2021	2019-2020
CASHFLOW FROM OPERATING ACTIVITIES	Note	KShs	KShs
Receipts from operating activities			
Transfer from Government entities	9.3	-	0
Receipts from operating activities		-	
Payments from operating activities			0
Purchase of goods and services	9.5	629,645,869	0
Expenses by other government entities	9.7	37,403,609	0
Payments from operating activities		667,049,478	
Net cash flow from operating activities		- 667,049,478	0
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	9.6	21,531,412	0
Net cash flows from Investing Activities		- 21,531,412	0
CASHFLOW FROM BORROWING ACTIVITIES			
Loan from external development partners	9.4	1,347,337,000	0
KCSAP Advance	9.9	56,433,771	
Net cash flow from financing activities		1,403,780,771	0
NET INCREASE IN CASH AND CASH EQUIVALENT		715,199,881	0
Cash and cash equivalent at BEGINNING of the year		-	0
Cash and cash equivalent at END of the year		715,199,881	0

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 29th September 2021 and signed by:


Principal Secretary

Name: **Prof. Hamadi I. Boga** (PhD), CBS



Project Coordinator

Name: **Esther M. Wambua**



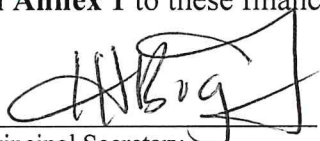
Project Accountant:

Name: **Wesley K. Kapketwony**
ICPAK Member Number: **13250**

8. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Loans from External Development Partners	0	1,457,000,000	1,457,000,000	1,347,337,000	109,663,000	92.47%
KCSAP Advance	0	-	-	56,433,771	56,433,771	-
Total Receipts	0	1,457,000,000	1,457,000,000	1,403,770,771	53,229,229	96.35%
Payments			-		-	
Purchase of goods and services	0	833,937,176	833,937,176	629,645,869	204,291,307	75.50%
Acquisition of non-financial assets	0	23,062,824	23,062,824	21,531,412	1,531,412	93.36%
Expenses by other levels governments	0	600,000,000	600,000,000	37,403,609	562,596,391	6.23%
Total Payments	0	1,457,000,000	1,457,000,000	688,580,890	768,419,110	47.26%

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



Principal Secretary

Name: **Prof. Hamadi I. Boga** (PhD), CBS



Project Coordinator

Name: **Esther M. Wambua**



Project Accountant:

Name: **Wesley K. Kapketwony**
ICPAK Member Number: **13250**

10. SIGNIFICANT ACCOUNTING POLICIES

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

10.1 Basis of Preparation

10.2 Statement of compliance and basis of preparation

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

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

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

10.3 Reporting entity

The financial statements are for the **Emergency Locust Response project** under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

10.3.1 Reporting currency

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

10.4 Significant Accounting Policies

a) Recognition of receipts

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

I. Transfers from the Exchequer

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

II. External Assistance

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

III. Other receipts

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

b) Donations and grants

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

c) Proceeds from borrowing

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

d) Undrawn external assistance

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

e) Recognition of payments

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

i) Compensation of employees

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

ii) Use of goods and services

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

iii) Interest on borrowing

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

iv) Repayment of borrowing (principal amount)

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

v) Acquisition of fixed assets

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

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

f) In-kind donations

In-kind contributions are donations that are made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Project includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

g) Cash and cash equivalents

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

Restriction on cash

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Accounts receivable

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

i) Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
 - (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, and indemnities. Letters of comfort/ support, insurance, Public Private Partnerships,

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. **Annex 4** of this financial statement is a register of the contingent liabilities in the year.

Section 89 (2) (i) of the PFM Act requires the National Government to report on the payments made, or losses incurred, by the county government to meet contingent liabilities as a result of loans during the financial year, including payments made in respect of loan write-offs or waiver of interest on loans

j) Contingent Assets

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

k) Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Project at the end of the year. When the pending bills are finally settled,

***Emergency Locust Response Project
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For the financial year ended June 30, 2021***

such payments are included in the statement of receipts and payments in the year in which the payments are made.

l) Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the 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.

m) Third party payments

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties column in the statement of receipts and payments.

During the year Kshs 0.00 billion being loan disbursements were received in form of direct payments from third parties.

n) Exchange rate differences

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Comparative figures

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

p) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

q) Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. Re-stating 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.

9. NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.3. RECEIPTS FROM GOVERNMENT OF KENYA

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

	2020/21	2019/20	Cumulative to-date(from inception)
	KShs	KShs	
Counterpart funding through Ministry Agriculture, Livestock, Fisheries and Cooperatives			
Counterpart funds Quarter 4	0.00	0.00	0.00
Total	0.00	0.00	0.00

[Provide explanation as necessary noting that “**Other transfers from government entities**” is not the counterpart funding which is the government’s share of contribution towards the implementation of the project as mandated by the Project Agreement.]

9.4. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30 June 2021 we received funding from development partners in form of loans negotiated by the National Treasury donors as detailed in the table below:

Name of Donor	Date received	Amount in loan currency -Euros	Loans received in cash	Loans received as direct payment*	Total amount in KShs	
			KShs	KShs	2020/21	2019/20
Loans Received from Bilateral Donors (Foreign Governments)	21/2/2021	10,000,000	1,347,347,000	0.00	1,347,347,000	0.00
Loans Received from Multilateral Donors (International Organisations)						
			0.00		0.00	0.00
Total		10,000,000	1,347,347,000	0.00	1,347,347,000	0.00

[Provide explanation as necessary]

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.5. PURCHASE OF GOODS AND SERVICES

	2020/21			2019/20	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Supply of branded uniform	3,000,000	-	3,000,000	-	3,000,000
Domestic travel and subsistence	130,075,420	28,502,939	158,578,359	-	158,578,359
Rentals of produced assets	53,784,625	2,986,626	56,771,251	-	56,771,251
Training payments	36,684,300	24,744,262	61,428,562	-	61,428,562
Specialized Materials and Supplies	326,140,000	-	326,140,000	-	326,140,000
Other operating payments	2,099,635	199,944	2,299,579	-	2,299,579
Routine maintenance – vehicles and other transport equipment, refined fuel	21,428,118	-	21,428,118	-	21,428,118
Total	573,212,098	56,433,771	629,645,869	-	629,645,869

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.6. ACQUISITION OF NON-FINANCIAL ASSETS

	2020/21			2019/ 20	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Purchase of vehicles					
Purchase of office furniture & general equipment	21,531,412	0	21,531,412	0	21,531,412
Total	21,531,412	0	21,531,412	0	21,531,412

[Provide explanation as necessary]

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.7. Expenses by Other Levels of Governments

During the 12 months to 30 June 2021, we transferred funds to reporting government entities and spent as shown below:

County names	2020/21			% Utilization
	Total amount received	Amount spent	Balance as at 30.06.2021	
	KShs	KShs	KShs	
Samburu	68,785,000	2,129	68,782,871	0.00%
Marsabit	63,381,000	11,163,381	52,217,620	17.61%
Meru	35,983,000	-	35,983,000	0.00%
Kitui	29,223,000	465,900	28,757,100	1.59%
Tharaka Nithi	22,175,000	2,279,875	19,895,125	10.28%
Isiolo	57,023,000	5,513,610	51,509,390	9.67%
Mandera	39,694,000	1,581,600	38,112,400	3.98%
Wajir	37,949,000	3,522,526	34,426,474	9.28%
Embu	21,299,000	1,029,400	20,269,600	4.83%
Machakos	21,288,000	491,108	20,796,892	2.31%
West Pokot	25,878,000	3,309,400	22,568,600	12.79%
Elgeyo Marakwet	35,879,000	571,150	35,307,850	1.59%
Baringo	20,929,000	554,610	20,374,390	2.65%
Garissa	30,359,000	4,090,100	26,268,900	13.47%
Turkana	90,155,000	2,828,820	87,326,180	3.14%
TOTAL	600,000,000	37,403,609	562,596,391	6.23%

We have confirmed that the beneficiary institutions have received the funds and have recorded these as inter-entity receipts. We have attached these duly signed confirmations as an Appendix to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.8. CASH AND CASH EQUIVALENTS CARRIED FORWARD

9.8.A Bank Accounts
Project Bank Accounts

			2020/21	2019/20
			KShs	KShs
<u>Local Currency Accounts</u>				
Central Bank of Kenya.....1000485566			152,593,490	0.00
Counties	Bank name	Account No		
Samburu	CO-OPERATIVE BANK	01141999708000	68,782,871	0.00
Marsabit	CO-OPERATIVE BANK	01141552526000	52,217,620	0.00
Meru	KCB	1285223047	35,983,000	0.00
Kitui	CO-OPERATIVE BANK	01141811642100	28,757,100	0.00
Tharaka Nithi	KCB	1285357523	19,895,125	0.00
Isiolo	KCB	1285148894	51,509,390	0.00
Mandera	KCB	1285132378	38,112,400	0.00
Wajir	KCB	1285131517	34,426,473	0.00
Embu	CO-OPERATIVE BANK	01141731991000	20,269,600	0.00
Machakos	CO-OPERATIVE BANK	01141655609900	20,796,892	0.00
West Pokot	CO-OPERATIVE BANK	01141852266100	22,568,600	0.00
Elgeyo Marakwet	CO-OPERATIVE BANK	01141958169100	35,307,850	0.00
Baringo	KCB	1285236629	20,374,390	0.00
Garissa	KCB	1285217470	26,268,900	0.00
Turkana	KCB	1285228162	87,326,180	0.00
Total bank account balances			715,189,881.21	<u>0.00</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2021 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule which shows the flow of funds that were voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

9.8.A Special Deposit Accounts Movement Schedule

	2020/21	2019/20
	KShs	KShs
(i) A/C Name [A/c No....1000485566]		
Opening balance	0.00	0.00
Total amount deposited in the account	1,347,337,000	0.00
Total amount withdrawn (as per Statement of Receipts & Payments)	1,304,743,510	0.00
Closing balance (as per SDA bank account reconciliation attached)	42,593,490	

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

9.9. KCSAP ADVANCE

Supplier Goods Services	of or	Original Amount	Outstanding Balance 2021	Outstanding Balance 2020
		KShs	KShs	KShs
Supply services	of			
1. KCSAP		56,433,770.85	56,433,771	0.00
Sub-Total		56,433,770.85	56,433,771	0.00
Grand Total		56,433,770.85	56,433,771	0.00

9.10. A Cash equivalents (short-term deposits)

	2020/21	2019/20
	KShs	KShs

[Provide short appropriate explanations as necessary]

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. OTHER IMPORTANT DISCLOSURES

10.0 PENDING ACCOUNTS PAYABLE (See Annex 2A)

	Balance b/f FY 2019/2020	Additions for the period	Paid during the year	Balance c/f FY 2020/2021
Description	Kshs	Kshs	Kshs	Kshs
Construction of buildings	0.00	0.00	0.00	0.00
Construction of civil works	0.00	0.00	0.00	0.00
Supply of goods	0.00	0.00	0.00	0.00
Supply of services	0.00	56,433,771	0.00	56,433,771
Total	0.00	56,433,771	0.00	56,433,771

13. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

Guidance Notes:

This is a new project hence no previous audits


Principal Secretary

6/12/2021
Date


Project Coordinator

6/12/2021
Date

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14. ANNEXES

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance
	a	b	c=a-b	d=b/a %	
Receipts					
Proceeds from domestic and foreign borrowings	1,457,000,000	1,347,337,000	109,663,000	92.47%	Funds were received late in the third quarter
KCSAP Advance	-	56,433,771	56,433,771		
Total Receipts	1,457,000,000	1,403,770,771	53,229,229	96.35%	
Payments					
Purchase of goods and services	833,937,176	629,645,869	204,291,307	75.50%	Funds were received late hence low absorption
Acquisition of non-financial assets	23,062,824	21,531,412	1,531,412	93.36%	Due to re-allocation, most of the items budgets were slashed and issue of long procurement process
Expenses by other government entities	600,000,000	37,403,609	562,596,391	6.23%	Transfer to other levels of Government
Total payments	1,457,000,000	688,580,890	768,419,110	47.26%	

Explain all variance below 90% and above 100%

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ANNEX 3A - ANALYSIS OF PENDING BILLS

Supplier Goods Services	of or	Original Amount	Date Contracte d	Amoun t Paid To- Date	Outstanding Balance 2021	Outstandin g Balance 2020	Comments
		a	b	c	d=a-c		
Supply services	of	KShs		KShs	KShs	KShs	
KCSAP		56,433,771	Various	0	56,433,771	nil	Unpaid borrowing from KCSAP
Sub-Total		56,433,771	Various	0	56,433,771	nil	
Grand Total		56,433,771	Various	0	56,433,771	nil	

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ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost (KShs) 2020/21	*Purchases/Additions in the Year (KShs) 2020/21	**Disposals in the Year (KShs) 2020/21	Transfers in/(out) Kshs 2020/21	Closing Cost (KShs) 2020/21
	(a)	(b)	(c)	(d)	(e)= (a)+ (b)- (c)+(-)d
ICT Equipment,	0.00	21,531,412	0.00	0.00	21,531,412
Total	0.00	21,531,412	0.00	0.00	21,531,412

Notes

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

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

APPENDICES

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

