

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

**KENYA YOUTH EMPLOYMENT
AND OPPORTUNITIES PROJECT
(CREDIT NO. IDA 5812-KE)**

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

**MICRO AND SMALL ENTERPRISES
AUTHORITY**

THE NATIONAL ASSEMBLY	
DATE: 08 MAR 2023	
DAY: WEDNESDAY	
TABLED BY:	Hon Owen Bayo, CBS, MP
CLERK-AT THE TABLE:	Deputy Majority Leader, Miriam Nduro



PROJECT NAME:
KENYA YOUTH EMPLOYMENT AND OPPORTUNITIES PROJECT (KYEOP)

IMPLEMENTING ENTITY:
MICRO AND SMALL ENTERPRISES AUTHORITY (MSEA)

PROJECT CREDIT NUMBER: 5812 –KE

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)**

Kenya Youth Employment and Opportunities Project (KYEOP)
Annual Report and Financial Statements For the financial year ended June 30, 2022

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1. Project Information and Overall Performance

1.1 Name and registered office

Name: The Project official name is Kenya Youth Employment and Opportunities Project (KYEOP). The Micro and Small Enterprises Authority is implementing Component two (2) on job creation

Objective: The key objective of the project is to increase employment and earning opportunities for targeted youth.

Address: The project headquarters offices are in Nairobi County, Kenya
Authority's Headquarters
P.O. Box 48823-00100
Nairobi, Kenya
10th Floor Utalii House,
Utalii Lane/ Uhuru Highway
Nairobi, Kenya

Contacts: The Authority's contacts
Office of the Chief Executive Officer
Telephone: (254)020-3340006/0700-666000
E-mail: info@msea.go.ke / mseakenya@gmail.com
Website: www.mseauthority.go.ke

1.2 Project Information

Project Start Date:	The project effective date 1 st September, 2016
Project End Date:	The project end date is 31 st December, 2021
Revised End Date	The project revised end date is 31 st August, 2023
Project Co-ordinator:	The Project Co-ordinator is Ms. Caroline Kioko
Project Sponsor:	The Project Sponsor is World Bank (IDA)

1.3 Project Overview

Line Ministry/State Department of the project	<p>The Project is under the supervision of the Ministry of Industry, Trade and Enterprise Development. In his inaugural speech, His Excellency the President established a Ministry of Cooperatives and SME Development mandated to ensure that every small business has secure property rights, access to finance and a supportive regulatory framework.</p> <p>The Implementing Partners are the World Bank Group, Micro and Small Enterprises Authority (MSEA), Ministry of ICT, Innovation and Youth Affairs, National Industrial and Training Authority and Ministry of Labour and Social Protection</p>
Project number	5812- KE
Strategic goals of the project	<p>The objective of the Project is to increase employment and earnings opportunities for targeted youths by:</p> <ul style="list-style-type: none"> i) Improving Youth Employability ii) Support for Job Creation iii) Improving Labour Market Information iv) Strengthening Youth Policy Development And Project Management
Achievement of strategic goals	<p>The specific goals of component two (2) on job creation are:</p> <ul style="list-style-type: none"> (i) To provide seed funding for youth led start ups (ii) To increase access to Business Development Services (BDS) for young self-employed entrepreneurs iii) To support innovative interventions to create jobs for targeted youths iv) To expand economic opportunities to youth who are hard to serve

Other important background information of the project	<p>The project is funded by the International Development Association (IDA) arm of World Bank. The Project total cost is 106.5 million SDR (US\$ 150 million) and is to be implemented over five (5) years</p> <p>Project categories</p> <p>The Overall project has eight categories as per the financing agreement:</p> <p>Category 1: Goods, Non Consulting services, Consultant Services, Training and Incremental Operating Costs;</p> <p>a) Part A.1 (a) A.2 (a) to implemented by MIIYA total cost SDR 26,963,000</p> <p>b) Part A.1 (b) A.2 (b) to implemented by NITA total cost SDR 20,277,000</p> <p>Category 2: Goods, Non Consulting services, Consultant Services, Training and Incremental Operating Costs under part B of the Project (Excluding business start-up grants and Business Plan Competition Awards and Innovation Awards);</p> <p>a) MSEA (Part B.1, B.2 (a) and B.3) total cost SDR 9,370,000</p> <p>b) MIIYA (Part B.2 (a) and B.2 (b) total cost SDR 783,000</p> <p>Category 3: Business start-up grants under part B.1 of the project to be implemented by MSEA at a total cost of SDR 19,653,528</p> <p>Category 4: Business Plan Competition Awards under Part B.2(a) of the project to be implemented by MIIYA at a total cost of SDR 9,940,000</p> <p>Category 5: Innovation Awards under part B.2(b) of the project to be implemented by MIIYA at a total cost of SDR 852,000</p> <p>Category 6: Goods, Non Consulting services, Consultant Services, Training and Incremental Operating Costs under part C of the Project to be implemented by MLSP at a total cost of SDR 6,020,000</p> <p>Category 7: Goods, Non Consulting services, Consultant Services, Training and Incremental Operating Costs under part D of the Project to be implemented by MIIYA at a total cost of SDR 12,640,000</p> <p>Category 8: Refund of preparation at a total cost of SDR 1,472</p>
Current situation that the project was formed to intervene	<p>The project was formed to intervene in the following areas:</p> <p>(i) Unemployment among the youth in the country</p> <p>(ii) Marginalisation of youth in some counties</p> <p>iii) Lack of equity in Job opportunities for youth in the country</p>

Kenya Youth Employment and Opportunities Project (KYEOP)
Annual Report and Financial Statements For the financial year ended June 30, 2022

Project duration	The project started on 1st September, 2016 and is expected to run until 31 st August, 2023
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1.4 Bankers

Kenya Commercial Bank
P.O Box 30012 - 00100
Kipande House
Nairobi, Kenya

1.5 Auditors

The 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
Henry Rithaa	Director General/ Chief Executive Officer	MBA (Strategic Management), Master of Arts in Regional Integration and Bachelor's Degree in Finance	Overall program leadership and direction.
Caroline Kioko	Project Coordinator	Master's Degree in Entrepreneurship, Bachelor's degree in Environmental Studies and Community Development	Oversee the coordination of all project activities and outputs of Component II
John Masha	Project Manager	Master of Business Administration, Bachelor of Commerce, Postgraduate Diploma in Systems Management.	Support the MSEA PIU project coordinator with the day-to-day management of all project activities and outputs and Establish systems to ensure effective and efficient delivery of all operational outputs for Component II targets
Christine Kirui	Grants Coordinator	Bsc. in International Business Administration(Finance and Entrepreneurship)	Support coordination of grants beneficiary selection activities and disbursement.
Festus Musyoki	Program Finance & Accounting (Up to 14 th June 2022)	MBA (Finance), Bcom (Finance), CPA(K)	Oversee all aspect of program financing and financial reporting.
Elsie Thambu	Program Finance & Accounting (From 15 th June 2022)	MBA (Finance), BBM (Finance& Banking), CPA(K)	Oversee all aspect of program financing and financial reporting.
Raphael Koome	Business Plan Competition (BPC) and Monitoring and Evaluation Coordinator)	Master of Business Administration, Bachelor of Arts in Economics and Communications	Design and develop measures of monitoring the performance of Component 2 activities in meeting their objectives. Update the program key performance indicators (inputs, outputs, outcomes) for monitoring the project, their target values and specify the timing and format of reporting
Magdalene Mbithi	BDS Officer	B.A in Sociology	Coordinating business development services of the project

Kenya Youth Employment and Opportunities Project (KYEOP)
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Silas Kiome	Program Procurement and Supply Chain	Msc. In Procurement & Contract Management (Ongoing), Bcom (Procurement & Supplies Management)	Coordinate procurement and supply chain activities of the project
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1.7 Funding summary

The Project is for initial duration of five years from 2016 to 2021 with an approved budget of US\$ 25.2 M for component two (2) equivalents to Kshs 2.58 Billion as highlighted in the table below. The project ending timeline was revised to December 31, 2022 through project restructuring dated August 9, 2021 with additional reallocation of financing proceeds amounting to \$ 15.9 M (equivalent Kshs 1.5 billion). On July 28, 2022 the project was granted a further extension to August, 31st 2023

Below is the funding summary:

A. Source of Funds

Source of Funds as at 30th June, 2022	Grants	Loan	Counterpart Funds	Total	Grants	Loan	Counterpart Funds	Total
	USD	USD	USD	USD	Kshs	Kshs	Kshs	Kshs
Donor Commitment	-	41,112,626	-	41,112,626	-	4,522,388,884	-	4,522,388,884
Amount received	-	34,542,077	-	34,542,077	-	3,774,417,426	-	3,774,417,426
Undrawn balance	-	6,570,549	-	6,570,549	-	747,971,458	-	747,971,458

As per the financing agreement SDR 17,890,000(USD 25,197,183) was allocated to KYEOP under MSEA. The initial donor commitment in Kenya Shillings has increased over time as a result of the rising US Dollar rate to Kenya Shilling.

The undrawn balance of Kshs 747,971,458 as at 30th June 2022 represents the amounts not requested out of the entire allocated project budget of Kshs 4,522,388,884. The balance is placed with Central Bank of Kenya and will be requested and drawn in the next financial year 2022/2023.

Project information and overall performance (Continued)

B. Application of Funds

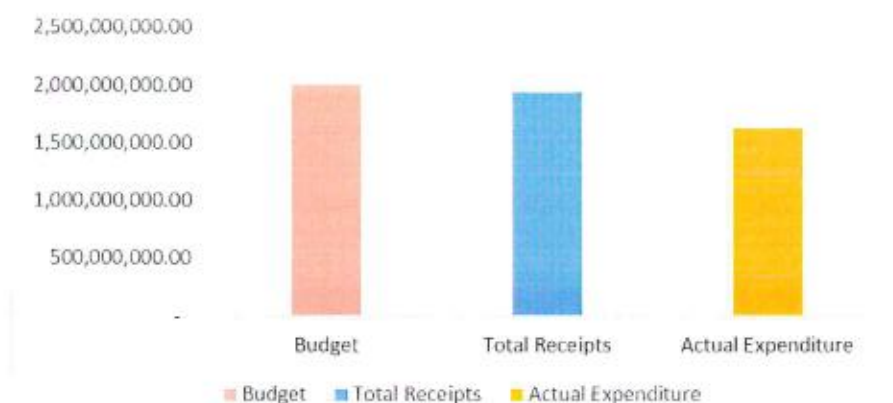
Source of Funds as at 30th June, 2022	Grants	Loan	Counterpart Funds	Total	Grants	Loan	Counterpart Funds	Total
	USD	USD	USD	USD	Kshs	Kshs	Kshs	Kshs
Amount received	-	34,542,077	-	34,542,077	-	3,774,417,426	-	3,774,417,426
Cumulative Amount paid	-	28,965,603	-	28,965,603	-	3,124,702,402	-	3,124,702,402
Unutilised balance	-	5,576,474	-	5,576,474	-	649,715,024	-	649,715,024

1.8 Summary of Overall Project Performance:

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

The Authority was allocated a budget of Kshs 2,000,000,000 during the 2021/22 financial year, having a total actual expenditure of Kshs 1,624,484,970. The total receipts during the financial year amounted to Kshs 1,935,971,824.

Budget performance against actual amounts FY 2021/22



Cumulatively, the project has received Kshs 3,774,417,426 against an actual expenditure of Kshs 3,124,702,402.

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

The project commenced in September 2016 and was negatively impacted by the political environment in the country such that little activities were undertaken until beginning of April 2018 when the project issued grants to 1,000 youths in selected five counties. As at the end of the reporting period, the project had cumulatively disbursed Kshs 2 billion to beneficiaries in form of grants.

Sub-component 2.1 Implementation Summary				
Start-up grants beneficiaries				Business Development Services (BDS) beneficiaries
Cycle	Orientation 1	Orientation 2	Amount disbursed	
Pilot	29	24	1,060,000	64
1	1,040	752	35,840,000	0
2	2,485	2,272	95,140,000	504
3	4,029	3,518	150,940,000	1,164
4	6,413	6,413	256,520,000	3,532
5	12,035	11,999	480,680,000	-
6	11,575	11,568	462,860,000	-
7a	15,361	0	307,220,000	
7b	16,102	0	322,040,000	
Total	69,069	36,468	2,112,300,000	5,264



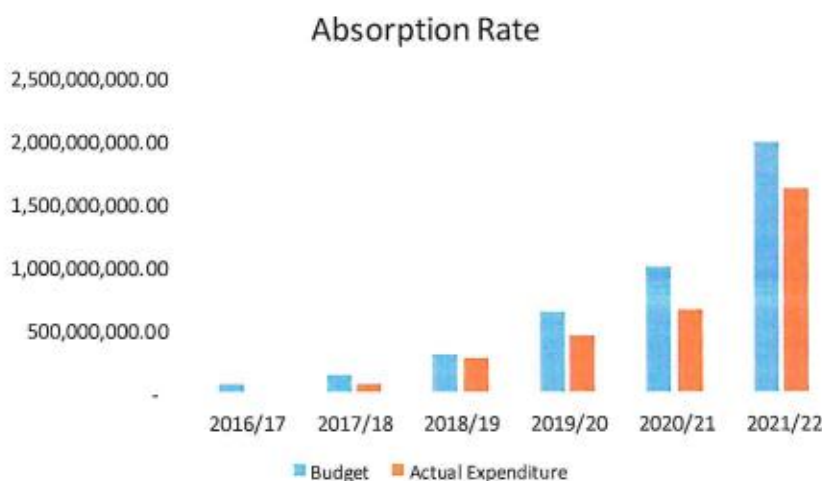
Moments captured during KYEOP Orientation training

iii) Comment on value-for-money achievements,

In line with best practices, a strong Monitoring and Evaluation (M&E) system and framework to gather relevant data is in place. M&E is critical to the successful implementation of the various components by providing timely insights and lessons for efficient roll out of various activities. MSEA monitors every activity from intake, randomization & selection, mobilization, the grants orientation and disbursement. After each disbursement of the first tranche MSEA conducts follow up to assess the progress made by the youth in starting businesses and implementing their orientation plans. The M&E efforts ensures that value for money is realised.

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

During the 2016/17 financial year, out of the allocated budget of Kshs 70 million, the Authority received only Kshs 11,491,000 leaving unreceived balance of Kshs 58,509,000. The actual expenditure for the 2016/17 financial year amounted to Kshs 5,825,416 giving an absorption rate of about 8%. In the 2017/18 financial year, total expenditure was Kshs 65,077,283 against a budget of Kshs 140,000,000. This translates to absorption rate of 58.9%. During FY 2018/2019, the total budget as per the revised estimates was Kshs 304,000,000. Against this budget, the expenditure for the period amounted to Kshs 278,538,403 translating to an absorption of 92%. During the financial year 2019/2020, the total budget was Kshs 644,340,209. Against this budget, the expenditure for the period amounted to Kshs 460,610,959 translating to an absorption of 70%. During the financial year 2020/2021, the total budget as per the revised estimates was Kshs 1,007,000,000. Against this budget, the expenditure for the period amounted to Kshs 668,688,108 translating to an absorption of 66%. During the financial year under review (FY 2021/2022), the total budget as per the revised estimates was Kshs 2,000,000,000. Against this budget, the expenditure for the period amounted to Kshs 1,624,484,970 translating to an absorption of 81%.



v) List the implementation challenges and recommended way forward.

The major challenge witnessed so far is the low absorption rate for the funds allocated under the project. This was majorly witnessed during the beginning of the project around September 2016 when the political environment was so unfavorable for the project implementation. The procurement process has also been a bit slow due to the required World Bank and government public procurement and disposal guidelines and procedures to be adhered to. The COVID-19 situation in Kenya that led to the halting of many government activities, including KYEOP outlined activities for FY2020/2021 contributed greatly to the low absorption of funds.

Still during the implementation of the work plan, the Government issued a moratorium to MSEA on procurement due to the planned merger of MSEA with the other funds to form Biashara Bank. This negatively affected the project until when the merger was uplifted.

1.9 Summary of Project Compliance:

The project has adhered to the procedures as per the World Bank Financial Management

requirements, Government of Kenya Financial Regulations, Fiduciary framework and accountability.

i) Include significant cases of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants

There were no cases of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants.

ii) Include consequences suffered on account of non-compliance or likely to be suffered

There were no consequences suffered on account of non-compliance or likely to be suffered.

iii) Indicate mitigation measures taken or planned to be taken to alleviate the adverse effects of actual or potential consequences of non-compliance.

There were no adverse effects of actual or potential consequences of non-compliance.

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 objective of the project's 2016-2021 plan is to increase employment and earnings opportunities for targeted youths.

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:

Project	Objective	Outcome	Indicator	Performance
Kenya Youth Employment and Opportunities Project	To increase employment and earning opportunities for targeted youths	Increased employment and earning opportunities for targeted youths	Number of grants issued and business development services conducted	In FY 2021/22 we issued grants and conducted business development services to 31,862 youth

3. Environmental and Sustainability Reporting

The project did not directly engage in environmental and sustainability activities in line with the approved annual work plan during the period under review.

4. Statement of Project Management Responsibilities

The *Accounting Officer* and the *Program Co-ordinator* of KYEOP Project are responsible for the preparation and presentation of the Program's financial statements, which give a true and fair view of the state of affairs of the Program 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 Program; (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 Program; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The *Accounting Officer* and the *Program Co-ordinator* of KYEOP Project accept responsibility for the Program'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 *Accounting Officer* and the *Program Co-ordinator* of KYEOP Project are of the opinion that the Program's financial statements give a true and fair view of the state of Program's transactions during the financial year/period ended June 30, 2022, and of the Program's financial position as at that date. The *Accounting Officer* and the *Program Co-ordinator* of KYEOP Project further confirm the completeness of the accounting records maintained for the Program, which have been relied upon in the preparation of the Program financial statements as well as the adequacy of the systems of internal financial control.

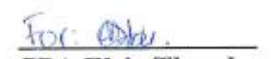
The *Accounting Officer* and the *Program Co-ordinator* of KYEOP Project confirm that the Program has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Program funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Program financial statements

The Program financial statements were approved by Board on 30th September 2022 and signed on its behalf by;


Henry M. Rithaa
Accounting Officer


Caroline Kioko
Program Co-ordinator


CPA Elsie Thambu
Ag. Head of Finance
ICPAK No. 16628

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON KENYA YOUTH EMPLOYMENT AND OPPORTUNITIES PROJECT (CREDIT NO. IDA 5812-KE) FOR THE YEAR ENDED 30 JUNE, 2022 – MICRO AND SMALL ENTERPRISES AUTHORITY

PREAMBLE

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

- A. Report on the Financial Statements which considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations which 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 Kenya Youth Employment and Opportunities Project (Credit No. IDA 5812 KE) set out on pages 1 to 16, which comprise

Report of the Auditor-General on Kenya Youth Employment and Opportunities Project (Credit No. IDA 5812-KE) for the year ended 30 June, 2022 – Micro and Small Enterprises Authority

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, 2010 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 Kenya Youth Employment and Opportunities 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 complies with the Public Finance Management Act, 2012 and the Financing Agreement Credit No.5812-KE between the International Development Association (IDA) and the Republic of Kenya dated 4 July, 2016.

In addition, the special account statement presents fairly the special account transactions and the closing balance has been reconciled with the books of account.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Youth Employment and Opportunities 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.

Emphasis of Matter

Amount Withdrawn but Unclaimed

The Statement of Special (Designated) Account Reconciliation for the Project reflects USD6,767,459 (Kshs.744,420,524) at the then exchange rate of 1 USD at Kshs.110 as withdrawn but unclaimed as at 30 June, 2022. This represents cumulative funds transferred to the local Project bank account but whose expenditure returns have not been submitted to The National Treasury by the close of the financial year.

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects budgeted payments of Kshs.2,000,000,000 against actual payments of Kshs.1,624,484,970 resulting to under expenditure of Kshs.375,515,030 or 19% of total budget.

In view of the above, Management did not implement all the planned and approved programmes, resulting to delayed provision of services to the citizens.

2. Unresolved Prior Year Audit Matters

In the audit report of the previous year, several issues were raised under emphasis of matter, other matter and Report on Effectiveness of Internal Controls, Risk Management and Governance. Although Management has indicated that the issues have been responded to, the issues remained unresolved as Parliament has not met to deliberate on the same.

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 which 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENT

As required by International Development Agency, I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and
- iii. The Project's financial statements agree with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements which are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, 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 its services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Project or cease operations.

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

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

Those charged with governance are responsible for overseeing the Project's financial reporting process, reviewing the effectiveness of how the 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 which 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 which govern them in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls 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 which 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 misstatement 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 controls 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 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 which 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 which 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 controls which 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 which may reasonably be thought to bear on my independence and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

07 November, 2022

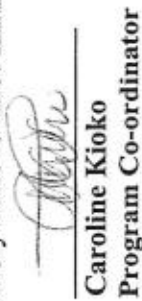
Kenya Youth Employment and Opportunities Project (KYEOP)
Annual Report and Financial Statements For the financial year ended June 30, 2022

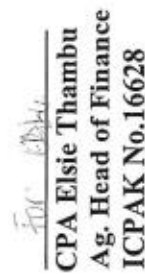
6. Statement of Receipts and Payments For The Year Ended 30th June 2022

Note	Receipts and Payment controlled by the entity Kshs	Payments made by third parties Kshs	Total Kshs	Receipts and Payment controlled by the entity Kshs	Payments made by third parties Kshs	Total Kshs	Cumulative to date Kshs
	FY 2021/2022			FY 2020/2021			
Receipts							
1	-	-	-	-	-	-	-
2	-	-	-	-	-	-	-
3	1,935,971,824	-	1,935,971,824	980,279,847	-	980,279,847	3,774,417,426
4	-	-	-	-	-	-	-
Total Receipts							
	1,935,971,824	-	1,935,971,824	980,279,847	-	980,279,847	3,774,417,426
Payments							
5	24,559,080	-	24,559,080	25,952,700	-	25,952,700	77,875,068
6	261,611,490	-	261,611,490	245,096,020	-	245,096,020	861,687,043
7	54,400	-	54,400	-	-	-	54,400
8	1,336,460,000	-	1,336,460,000	371,220,000	-	371,220,000	2,098,472,965
9	1,800,000	-	1,800,000	26,419,388	-	26,419,388	86,612,926
10	-	-	-	-	-	-	-
11	-	-	-	-	-	-	-
Total Payments							
	1,624,484,970	-	1,624,484,970	668,688,108	-	668,688,108	3,124,702,402
Surplus/ (Deficit)							
	311,486,854	-	311,486,854	311,591,739	-	311,591,739	649,715,024

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


Henry M. Rithaa
 Accounting Officer


Caroline Kioko
 Program Co-ordinator


CPA Elsie Thambu
 Ag. Head of Finance
 ICPAK No.16628

Kenya Youth Employment and Opportunities Project (KYEOP)
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7. Statement of Financial Assets as At 30th June 2022

	Note	FY 2021/2022	FY 2020/2021
Financial Assets		Kshs	Kshs
Cash and Cash Equivalents			
Bank Balances	12.A	649,715,025	338,083,106
Cash Balances	12.B	-	-
Cash Equivalents (short-term deposits)	12.C	-	-
Accounts Receivable	13	-	145,065
Total Cash and Cash Equivalents		649,715,025	338,228,171
Total Financial Assets		649,715,025	338,228,171
Financial Liabilities			
Payables - Deposits and Retentions	14	-	-
Net Assets		649,715,025	338,228,171


Represented By:

Fund balance b/fwd	15	338,228,171	26,636,432
Prior year adjustments	16	-	-
Surplus/(Deficit) for the year		311,486,854	311,591,739
Net Financial Position		649,715,025	338,228,171

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved by the Board on 30th September 2022 and signed by:


Henry Rithaa
 Accounting Officer


Caroline Kioko
 Program Co-ordinator


CPA Elsie Thambu
 Ag. Head of Finance
 ICPAK No.16628

Kenya Youth Employment and Opportunities Project (KYEOP)
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8. Statement of Cashflow for the Period Ended 30th June 2022

		FY 2021/2022	FY 2020/2021
	Notes	Kshs	Kshs
Cashflow from operating activities			
Receipts from operating activities			
Transfer from government entities	1	-	-
Proceeds from domestic and foreign grants	2	-	-
Miscellaneous receipts	4	-	-
Payments from operating expenses			
Compensation of employees	5	(24,559,080)	(25,952,700)
Purchase of goods and services	6	(261,611,490)	(245,096,020)
Social security benefits	7	(54,400)	-
Grants to beneficiaries	8	(1,336,460,000)	(371,220,000)
Transfers to other government entities	10	-	-
Other grants and transfers and payments	11	-	-
Adjustments during the year			
Prior Year Adjustments	16	-	-
Decrease/ (Increase) in Accounts Receivable	17	-	-
Increase/ (Decrease) in Accounts Payable	18	-	-
Net cash flow from operating activities		(1,622,684,970)	(642,268,720)
Cashflow from investing activities			
Acquisition of Non-Financial Assets	9	(1,800,000)	(26,419,388)
Net cash flows from Investing Activities		(1,800,000)	(26,419,388)
Cashflow from borrowing activities			
Loan from external development partners	3	1,935,971,824	980,279,847
Net cash flow from financing activities		1,935,971,824	980,279,847
Net increase in cash and cash equivalent		311,486,854	311,591,739
Cash and cash equivalent at BEGINNING of the year		338,228,171	26,636,432
Cash and cash equivalent at END of the year		649,715,025	338,228,171

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The project financial statements were approved by the Board on 30th September 2022 and signed by:


Henry M. Rithaa
 Accounting Officer


Caroline Kioko
 Program Co-ordinator


CPA Elsie Thambu
 Ag. Head of Finance
 ICPAK No.16628


Kenya Youth Employment and Opportunities Project (KYEOP)
Annual Report and Financial Statements For the financial year ended June 30, 2022

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						
Receipts from Government of Kenya	-	-	-	-	-	0%
Proceeds from domestic and foreign grants	-	-	-	-	-	0%
Loan from external development partners	802,100,000	1,197,900,000	2,000,000,000	1,935,971,824	64,028,176	97%
Miscellaneous receipts	-	-	-	-	-	0%
Total Receipts	802,100,000	1,197,900,000	2,000,000,000	1,935,971,824	64,028,176	97%
Payments						
Compensation of employees	29,641,137	(3,181,207)	26,459,930	24,559,080	1,900,850	93%
Purchase of goods and services	201,011,686	60,599,804	261,611,490	261,611,490	-	100%
Social security benefits	54,400	-	54,400	54,400	-	100%
Grants to beneficiaries	571,392,777	1,138,681,403	1,710,074,180	1,336,460,000	373,614,180	78%
Acquisition of non-financial assets	-	1,800,000	1,800,000	1,800,000	-	100%
Transfers to other government entities	-	-	-	-	-	0%
Other grants and transfers and payments	-	-	-	-	-	0%
Total Payments	802,100,000	1,197,900,000	2,000,000,000	1,624,484,970	375,515,030	81%

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


Henry M. Rithaa
 Accounting Officer


CPA Elsie Thambu
 Ag. Head of Finance
 ICPAK No. 16628

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 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 the Kenya Youth Employment and Opportunities Project under the Micro and Small Enterprise Authority. The financial statements encompass the reporting entity as specified in the relevant legislation 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

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 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.

a) 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.

Kenya Youth Employment and Opportunities Project (KYEOP)
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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.

b) 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.

c) 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

d) 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.

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.

e) 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.

f) 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.

g) 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.

h) 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.

i) Contingent Liabilities

There were no contingent liabilities during the year under review.

j) Contingent Assets

There were no contingent assets during the year under review.

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

Kenya Youth Employment and Opportunities Project (KYEOP)
Annual Report and Financial Statements For the financial year ended June 30, 2022

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

There were no third party transactions during the year under review.

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.

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 was a non-adjusting event after the end of reporting period where the Project end date was revised to December 31, 2022 through project restructuring dated August 9, 2021 with additional reallocation of financing proceeds amounting to \$ 15.9 (equivalent Kshs 1.5 billion). On July 28, 2022 the project was granted a further extension to August, 31st 2023. Other than that, there was no other events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2022.

q) Prior period adjustments

There was no prior period adjustments.

Kenya Youth Employment and Opportunities Project (KYEOP)
Annual Report and Financial Statements For the financial year ended June 30, 2022

Notes To the Financial Statements Continued

1. Transfer From Government Entities

During the period under review the project did not receive any transfer from government entities.

2. Proceeds From Domestic And Foreign Grants

During the period under review the project did not receive any domestic and foreign grants.

3. Loan From External Development Partners

During the 12 months to 30 June 2022 we received funding from development partners in form of loans negotiated by the National Treasury and Planning as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans Received in cash	Loans received as direct payment	Total amount in Kshs	Total amount in Kshs
			Kshs	Kshs	2021/22	2020/21
Loans Received from Bilateral Donors (Foreign Governments)						
World Bank	21-10-21		377,173,104		377,173,104	980,279,847
World Bank	02-02-22		221,409,759		221,409,759	
World Bank	05-04-22		194,905,000		194,905,000	
World Bank	09-05-22		443,423,968		443,423,968	
World Bank	10-06-22		699,060,000		699,060,000	
Total			1,935,971,824		1,935,971,824	980,279,847

4. Miscellaneous Receipts

There were no miscellaneous receipts during the year under review.

Kenya Youth Employment and Opportunities Project (KYEOP)
Annual Report and Financial Statements For the financial year ended June 30, 2022

5. Compensation of Employees

	FY 2021/22			FY 2020/21	
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	Cumulative to-date
	KShs	KShs	KShs	KShs	KShs
Personnel Emoluments-Basic	17,621,372		17,621,372	19,176,846	60,990,193
Airtime	228,000		228,000	354,000	3,427,389
Leave Allowance	76,000		76,000	88,000	194,000
Transfer	98,685		98,685	151,470	457,955
National Social Security Fund	-		-	56,000	120,380
Gratuity	4,445,325		4,445,325	2,576,564	7,045,633
Staff Medical Cover	2,089,698		2,089,698	3,549,820	5,639,518
TOTAL	24,559,080		24,559,080	25,952,700	77,875,068

6. Purchase of Goods And Services

	2021/22			2020/21	
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	Cumulative to- date
	Kshs	Kshs	Kshs	Kshs	Kshs
Communication Supplies and Services	6,163,450	-	6,163,450	22,932,807	40,461,459
Domestic Travel, Subsistence	30,734,526	-	30,734,526	42,574,031	164,350,206
Foreign Travel, Subsistence	104,500	-	104,500	-	8,124,099
Printing, Advertising and infor	2,792,000	-	2,792,000	4,110,097	20,250,053
Rent and Rates- Non-Residential	3,375,000	-	3,375,000	1,350,000	7,095,927
Training Expenses-Staff	9,694,791	-	9,694,791	253,000	21,458,086
Hospitality Supplies and Services	4,780,362	-	4,780,362	8,696,185	37,088,576
Office General Supplies and Services	9,319,225	-	9,319,225	4,655,054	29,186,632

Kenya Youth Employment and Opportunities Project (KYEOP)
Annual Report and Financial Statements For the financial year ended June 30, 2022

Routine Maintenance of Vehicles	9,409,092	-	9,409,092	5,063,802	16,005,597
Refined Fuels and Lubricants	2,376,066	-	2,376,066	1,466,350	6,092,988
Supplies and Access. for Comps. and Printers	2,156,000	-	2,156,000	3,659,250	5,815,250
Bank Charges	10,465,382	-	10,465,382	2,642,775	13,387,085
Consultancy Service	165,225,383	-	165,225,383	147,692,669	487,355,372
Board Allowances	2,466,474	-	2,466,474	-	2,466,474
Internet Connectivity	2,549,239	-	2,549,239	-	2,549,239
Sub-Total	261,611,490	-	261,611,490	245,096,020	861,687,043

7. Social Security Benefits

	FY 2021/22			FY 2020/21	
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	Cumulative to-date
	Kshs	Kshs	Kshs	Kshs	Kshs
Employer social benefits-NSSF	54,400	-	54,400	-	54,400
Total	54,400	-	54,400	-	54,400

8. Grants to Beneficiaries

	2021/22			2020/21	
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	Cumulative to-date
	Kshs	Kshs	Kshs	Kshs	Kshs
Grants to Beneficiaries	1,336,460,000	-	1,336,460,000.00	371,220,000	2,098,472,965
Sub-Total	1,336,460,000	-	1,336,460,000	371,220,000	2,098,472,965

Kenya Youth Employment and Opportunities Project (KYEOP)
Annual Report and Financial Statements For the financial year ended June 30, 2022

9. Acquisition of Non-Financial Assets

	Payments made by the Entity in Cash Kshs	Payments made by third parties Kshs	Total Payments Kshs	Total Payments Kshs	Cumulative to- date Kshs
	2021/22			2020/21	
Purchase of ICT Equipment and Software	1,800,000	-	-	8,896,702	37,970,877
Purchase of other office Equipment	-	-	-	-	10,520,463
Purchase of Motor vehicles	-	-	-	17,522,686	38,121,586
Sub-Total	1,800,000	-	-	26,419,388	86,612,926

10. Transfers To Other Government Entites

There were no transfers to other government entities during the year.

11. Other Grants And Transfers And Payments

There were no grant transfers and payments during the year.

12. Cash And Cash Equivalents

	2021/22	2020/21
	Kshs	Kshs
Bank accounts (Note 12. A)	649,715,025	338,083,106
Cash in hand	-	-
Cash equivalents	-	-
Total	649,715,025	338,083,106

12. A. Bank Accounts

	2021/22	2020/21
	Kshs	Kshs
Foreign Currency Accounts	-	-
Local Currency Accounts		
Kenya Commercial Bank (A/c No. 1201006155)	649,715,025	338,083,106
Total local currency balances	649,715,025	338,083,106
Total bank account balances	649,715,025	338,083,106

The project operates only one bank account with no cash-in-hand operations.

Kenya Youth Employment and Opportunities Project (KYEOP)
Annual Report and Financial Statements For the financial year ended June 30, 2022

12. B Cash In Hand

The project does not have cash-in-hand operations.

12. C Cash equivalents (short-term deposits)

The project does not have short-term deposits.

12. D Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2022 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

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

Special Deposit Accounts Movement Schedule

	2021/2022		2020/21	
	Kshs.	Usd	Kshs.	Usd
i) Credit No. IDA LOAN No. CREDIT No.58120-KE DA BB Bank Account No.: 1000308664 Held with CENTRAL BANK OF KENYA				
Opening Balance	-	-	109,233,954.40	1013501.57
Total Amount deposited in the account	2,000,000,000	17,729,643.43	870,912,892.40	8,073,641.91
Total amount withdrawn (as per statement of receipts & Payments)	1,977,452,041.38	17,529,049.21	980,279,846.80	9,087,143.48
Closing balance (as per SDA bank reconciliation attached)	22,547,958.62	200,594.22	-	-
ii) Credit No. IDA LOAN No. CREDIT No.58120-KE DA BB Bank Account No.: 1000308664 Held with CENTRAL BANK OF KENYA				
Opening Balance(as per the SDA reconciliation)			109,366,954.40	1,013,501.57
Total Amount deposited in the account	2,000,000,000	17,729,643.43	870,912,892.40	8,073,641.91
Total amount withdrawn (as per statement of receipts & Payments)	1,977,452,041.38	17,529,049.21	980,279,846.80	9,087,143.48
Closing balance (as per SDA bank reconciliation attached)	22,547,958.62	200,594.22	-	-

Kenya Youth Employment and Opportunities Project (KYEOP)
Annual Report and Financial Statements For the financial year ended June 30, 2022

13. Imprests and Advances

	2021/22	2020/21
Description	Kshs	Kshs
Government imprests	-	145,065
Total	-	145,065

13. B Breakdown of Imprests And Advances

There was no outstanding imprests and advances as per the schedule below.

Name of Officer	Amount Taken	Due Date of Surrender	Amount Surrendered	Balance 2021/2022	Balance 2020/2021
Moses Kosgei	50,500	17-04-19	50,500	-	50,500
Julius Kariuki	19,600	08-06-21	19,600	-	19,600
Koech Festus Kiprotich	24,500	24-05-21	24,500	-	24,500
Agnes Wanja Thiongo	25,200	17-06-21	25,200	-	25,200
Kunga Stephen	25,265	07-07-20	25,265	-	25,265
Total	145,065		145,065	-	145,065

14. Deposits and Retention Monies

The pending accounts payable are disclosed in Annex 2 of this report.

15. Fund Balance Brought Forward

	2020/21 Kshs	2019/20 Kshs
Bank Accounts	338,083,106	20,836,412
Cash in hand	-	-
Cash equivalents	-	-
Outstanding imprest and advances	145,065	5,800,020
Total	338,228,171	26,636,432

16. Prior Year Adjustment

There was no prior year adjustment during the year.

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17. Changes In Receivable

Description	2021-2022	2020-2021
	Kshs.	Kshs.
Opening Receivables as at 1st July 2021	145,065	5,800,020
Closing account receivables as at 30th June 2022	-	145,065
Changes in Receivables	145,065	5,654,955

18. Changes In Accounts Payable

There were no changes in accounts payable during the year.

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11. Other Important Disclosures

1. Pending Accounts Payable (See Annex 2)

Description	Balance b/f FY 2020/21 Kshs	Additions for the period Kshs	Paid during the year Kshs	Balance c/f FY 2021/22 Kshs
Supply of goods	-	-	-	-
Supply of services	139,560,784	161,782	137,240,786	2,481,780
Total	139,560,784	161,782	137,240,786	2,481,780

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12. Progress On Follow Up Of Prior Year Auditor's Recommendations

There were no unresolved audit issues as per the Office of the Auditor General external audit report 2020/2021 financial year.

Issue / Observations from Auditor	Management comments	Status:	Timeframe:
The statement of special (designated) account reconciliation for the project reflects USD 5,818,590(Ksh 532,149,361) at the then exchange rate of 1 USD at Kshs 102.7 as withdrawn but unclaimed as at 30 June, 2021.This represents cumulative funds transferred to the local Project bank account but whose expenditure returns have not been submitted to the National Treasury by the close of the financial year.	Management confirms that the special account statement presents fairly the special account transactions and the closing balance has been reconciled with the books of account as reported in the project financial statements. Management further states that all amounts withdrawn are credited in the project bank account as reflected in Statement of Receipt and Payments as well as project bank account and the same has been reconciled with the National Treasury as at 30 th June 2022 as funding is on replenishment basis.	Resolved	30 th June 2022

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Issue / Observations from Auditor	Management comments	Status:	Timeframe:
The statement of comparative budget and actual amounts reflects final expenditure budget of Kshs.1,007,000,000 against actual expenditure of Kshs.668,688,108 resulting to under expenditure of Kshs.338,311,892 representing 34% of the budget. In view of the above, the Project Management have not implemented all the planned and approved programmes, resulting to delay in provision of services to the citizens.	<p>The variance of 34% is attributable to grants disbursement to beneficiaries which took place in the month of July and August 2021 for cycle four (4) and five (5) due to delay in release of the exchequer as 54% of the total receipts was released in May and June of 2021 and this disrupted planned disbursement schedule.</p> <p>To ensure the project meets its intended objective, the World Bank in its letter dated August 9, 2021 extended the project for a further period of one (1) year to end in December 31, 2022.</p>	Resolved	30 th June 2022

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Issue / Observations from Auditor	Management comments	Status:	Timeframe:
<p>The statement of receipts and payments for the year ended 30 June, 2021 reflects Kshs.245,096,020 in respect to purchase of goods and services as indicated at Note 6 to the financial statements which includes Kshs.1,466,350 for refined fuels and lubricants. The project vehicles were fueled using cash and fuel cards and the project engaged Vivo Oil for loading of fuel cards. However, it was observed that although the project has seven (7) vehicles, there were other twelve (12) vehicles which were also fueled and serviced using project funds. Further, it was observed that Management had not set fuel cards limits for each vehicle and in several cases the cards and vehicle numbers were not indicated hence enabling any vehicle to be fueled using any fuel card.</p> <p>The above anomalies are contrary to Section 79(2) of Public Finance Management Act (PFM) Act, 2012 which states that, without prejudice to provisions under subsection (1), a public officer employed in a national government state organ or public entity shall (b) ensure that the resources within the officer's area of responsibility are used in a way which, (i) is lawful and authorized; and (ii) is effective, efficient, economical and transparent.</p>	<p>Management confirms that it has put in place an effective internal controls system with regard to fuel management and the same is regularly reviewed for adequacy and continually improved to ensure efficiency in service delivery. KYEOP project is in 17 counties. The initial plan was to buy 17 vehicles while only 7 vehicles have been progressively purchased to date. The strategy is to use available MSEA vehicles instead of hiring expensive private vehicles in the remaining 10 counties. With regard to fuel card limits, management has a reorder level for each vehicle and regular top up is based on scheduled project activities which varies from one counties to another. The management has also put in place a car tagging system in the management of the fuel whereby vehicles can only draw fuel when physically present at the service station. This prevents multiple use of fuel cards.</p>	Resolved	30 th June 2022

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13. Annexes

Annex I – Variance Explanation on Comparative Budget and Actual Amounts

The variance of 81% on payment for expenditure was largely influenced by the COVID-19 pandemic which slowed down the project's planned activities for 2021/22 financial year. Also, part of the domestic and foreign grants were disbursed during quarter 4 of the 2021/2022 financial year. This greatly affected the project's absorption rate as compared to approved budget with substantial amount of disbursement to beneficiaries scheduled for quarter one of the next financial year.

Table On Itemised Variance Analysis

	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %	Comments on Variance (below 90% and over 100%)
Receipts					
Transfer from Government entities	-	-	-	0%	No variance
Proceeds from domestic and foreign grants	2,000,000,000	1,935,971,824	64,028,176	97%	The difference of 3% was received in FY 2022-2023
Proceeds from borrowings	-	-	-	0%	No variance
Miscellaneous receipts	-	-	-	0%	No variance
Total Receipts	2,000,000,000	1,935,971,824	64,028,176	97%	
Payments					
Compensation of employees	26,459,930	24,559,080	1,900,850	93%	Some employees left the project and are yet to be replaced.

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Social security benefits	54,400	54,400	(0)	100%	No variance
Purchase of goods and services	261,611,490	261,611,490	(0)	100%	No variance
Grants to beneficiaries	1,710,074,180	1,336,460,000	373,614,180	78%	The domestic and foreign grants were disbursed during quarter 4 of the 2021/2022 financial year thus substantial amount of disbursement to beneficiaries scheduled for quarter one of the next financial year.
Acquisition of non-financial assets	1,800,000	1,800,000	-	100%	No variance
Total Payments	2,000,000,000	1,624,484,970	375,515,030	81%	

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Annex 2 - Analysis of Pending Bills

NO	SUPPLIER OF GOODS OR SERVICES	ORIGINAL AMOUNT	DATE CONTRACTED	AMOUNT PAID TO DATE	OUTSTANDING BALANCE 2021/22	OUTSTANDING BALANCE 2020/21	COMMENTS
		a	b	c	d=a-c		
1	Kenya Institute of Surveying and Mapping	48,000	02-06-21	48,000	-	48,000	Paid
2	Mabanga Agricultural Training Centre	16,000	02-06-21	16,000	-	16,000	Paid
3	Longrock Tours and Travel Ltd	32,045	17-05-21	32,045	-	32,045	Paid
4	Kakamega Multi-purpose Development Training institute	81,600	02-06-21	81,600	-	81,600	Paid
5	Longrock Tours and Travel Ltd	139,292	10-06-21	139,292	-	139,292	Paid
6	Longrock Tours and Travel Ltd	33,165	07-06-21	33,165	-	33,165	Paid
7	Uhuru Gardens Primary school	100,000	03-06-21	100,000	-	100,000	Paid
8	Kenya Utalii College	60,000	09-06-21	60,000	-	60,000	Paid
9	Kenya Coast National Polytechnic	44,000	09-06-21	44,000	-	44,000	Paid
10	Kenyatta University	46,400	31-05-21	46,400	-	46,400	Paid
11	Machakos Teachers college	32,000	10-06-21	32,000	-	32,000	Paid
12	A.C.K Mumias Guest House	28,000	10-06-21	28,000	-	28,000	Paid
13	Migori Teachers College	11,600	10-06-21	11,600	-	11,600	Paid
14	Friends Boys High School Namwela	32,000	10-06-21	32,000	-	32,000	Paid
15	Kenya Forestry research Institute	100,000	10-06-21	100,000	-	100,000	Paid
16	Uhuru Girls High School	80,000	10-06-21	80,000	-	80,000	Paid
17	Kenya School Of Revenue Administration	36,000	09-06-21	36,000	-	36,000	Paid
18	Zetech University	84,210	10-06-21	84,210	-	84,210	Paid
19	Kisii University	100,000	31-05-21	100,000	-	100,000	Paid
20	Kisumu Hotel	80,000	09-06-21	80,000	-	80,000	Paid
21	Nakuru Vocational Training Centre	32,000	31-05-21	32,000	-	32,000	Paid
22	Ziwani Vocational Training Centre	55,680	10-06-21	55,680	-	55,680	Paid
23	Kinango Youth Polytechnic	51,040	31-05-21	51,040	-	51,040	Paid

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24	Kiambu Institute of Science and Technology	80,000	31-05-21	80,000	-	80,000	Paid
25	Tourism Finance Corporation - Jan - March, 2021 parking	675,000	31-03-21	675,000	-	675,000	Paid
26	Tourism Finance Corporation -April - June, 2021 parking	675,000	30-06-21	675,000	-	675,000	Paid
27	Mandera Vocational Training Centre	80,000	09-06-21	80,000	-	80,000	Paid
28	Friends Church- Lumakanda	28,000	09-06-21	28,000	-	28,000	Paid
29	LONGROCK TOURS AND TRAVEL LTD	128,000	10-06-21	128,000	-	128,000	Paid
30	LYNADEK VENTURES	525,380	31-05-21	525,380	-	525,380	Paid
31	SAFARICOM	184,516	09-06-21	184,516	-	184,516	Paid
32	UNES CONSULTANCIES	3,502,258	17-05-21	3,502,258	-	3,502,258	Paid
33	Kitui Multipurpose	10,000	09-06-21	10,000	-	10,000	Paid
34	Kitui County government	10,000	09-06-21	10,000	-	10,000	Paid
35	KENYA EDUCATION MANAGEMENT INSTITUTE	46,400	17-05-21	46,400	-	46,400	Paid
36	MWABAYANYUNDO YOUTH POLYTECHNIC	46,400	17-05-21	46,400	-	46,400	Paid
37	MATUU BAPTIST CHURCH	28,000	17-05-21	28,000	-	28,000	Paid
38	KILIFI PRIMARY SCHOOL	44,800	17-05-21	44,800	-	44,800	Paid
39	ST.PAULS KIBABII TTC	15,000	17-05-21	15,000	-	15,000	Paid
40	GONNEL ENTERPRISES	1,133,000	09-06-21	1,133,000	-	1,133,000	Paid
41	Aayden Consulting ltd	326,958,400	26-08-19	128,706,000	-	128,706,000	Paid
43	Surestep	6,666,700	01-07-20	-	2,319,998	2,319,998	Paid as per contract
44	MULTI-LINE MOTORS KENYA	75,867.00	15-06-21	-	75,867	-	Paid in the next financial year
45	MULTI-LINE MOTORS KENYA	85,915.00	14-06-21	-	85,915	-	Paid in the next financial year
	TOTAL	342,321,668	1,950,396	137,240,786	2,481,780	139,560,784	

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Annex 3 – Summary Of Fixed Assets Register

Asset Class	Opening Cost (Kshs) 2021/22	Donations in form 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) 2021/22 e=a+b+c- d+(-)d
	a	b	c	d	d	
ICT Equipment	36,170,877	-	1,800,000	-	-	37,970,877
Other Office Equipment	10,520,463	-	-	-	-	10,520,463
Motor Vehicle	38,121,586	-	-	-	-	38,121,586
Total	84,812,926	-	1,800,000	-	-	86,612,926

Kenya Youth Employment and Opportunities Project (KYEOP)
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APPENDICES

SPECIAL DESIGNATED ACCOUNT

**KENYA YOUTH EMPLOYMENT & OPPORTUNITIES PROJECT (SDOH)
 STATEMENT OF SPECIAL (DESIGNATED) ACCOUNT RECONCILIATION
 FOR THE YEAR ENDED 30 JUNE 2022**

Credit No.: IDA LOAN No. CREDIT NO.58120-KE (DA-BB)
 Bank Account No.: 1000308664 Held with CENTRAL BANK OF KENYA

	NOTES	AMOUNT USD	AMOUNT USD
1	Amount advanced by IDA		35,180,181.97
	Less:		28,212,128.44
2	Total amount documented		6,968,053.53
3	Outstanding amount to be documented		
	Represented by:		200,594.22
4	Ending Special account Balance as at 30 June 2022		-
5	Amounts claimed but not credited as at 30 June 2022		6,767,459.31
6	Amounts withdrawn and not claimed		-
7	Service Charges (if not included in lines 5 and 6 above)		-
8	Interest earned (if included in Special Account)		6,968,053.53
9	Total advance to Special Account Year ended 30 June 2022		-

Discrepancy between total appearing on line 3 and 9

Notes:

- 1 Explain the discrepancy between totals appearing on lines 3 and 9 above (e.g. amount due to be refunded to cover ineligible expenditures paid from the Special/Designated Account)
- 2 Indicate if amount appearing on line 6 is eligible for financing by IDA and provide reasons for not claiming the expenditures

The amount appearing on line 6 is eligible for financing by World Bank and shall be documented in subsequent IFBs

[Signature]
 AUTHORISED REPRESENTATIVE
 RESOURCE MOBILISATION DEPARTMENT
 THE NATIONAL TREASURY

DATE: 01/05/2022

SPECIAL ACCOUNT STATEMENT

For period ending	30th JUNE, 2022
Account No.	1000308664
Depository Bank	CENTRAL BANK OF KENYA.
Address	CENTRAL BANK OF KENYA.
Related Loan	Y.E.O.P-MIN OF INDUSTRY 5812-KE B
Credit Agreement	
Currency	USD

Part A - Account Activity

Beginning balance of 1st July, 2021 as per C.B.K. Ledger Account	0.00
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Add:

Total Amount deposited by World Bank	17,729,643.43
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Total Interest earnings if deposited in account	
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Total amount refunded to cover ineligible expenditure	
--	--

Deduct:

Total amount withdrawn	17,529,049.21
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Total service charges if not included above in amount withdrawn	
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Ending balance on 30th June, 2022	200,594.22
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**AUTHORISED REPRESENTATIVE
CENTRAL BANK OF KENYA**

SIGNATURE:

DATE

**AUTHORISED REPRESENTATIVE
EXTERNAL RESOURCES
DEPARTMENT-TREASURY**

SIGNATURE:

DATE

NOTE: The ending balance as per Central Bank of Kenya Ledger Account and the off-shore Special Account as at 30th June, 2022 have been reconciled and a copy of the supporting Reconciliation Statement is attached.

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BANK RECONCILIATION

MICRO AND SMALL ENTERPRISES AUTHORITY
KYEOP PROJECT ACCOUNT BANK RECONCILIATION
KENYA COMMERCIAL BANK - KIPANDE BRANCH
ACC. NO.1201006155
AS AT 30TH JUNE, 2022

Summary

1	Balance As Per Bank Statement		649,773,989.75
	Less:		
2	Payments in Cashbook not in Bank statement	58,965.00	58,965.00
3	Receipts in Bank Statement not in cashbook	-	-
4	(1-2-3)		649,715,024.75
	Add:		
5	Payments in Bank statement not in Cash book	-	-
6	Receipts in Cashbook not in Bank statement	-	-
7	(4+5+6)		649,715,024.75
8	Balance as per Cashbook balance		649,715,024.75
			-

Prepared By Francis Ochi FE Date 5/7/2022

Checked By Ag. OPA EP Date 7-07-2022

Approved By S. Mwangi DES Date 07/07/2022