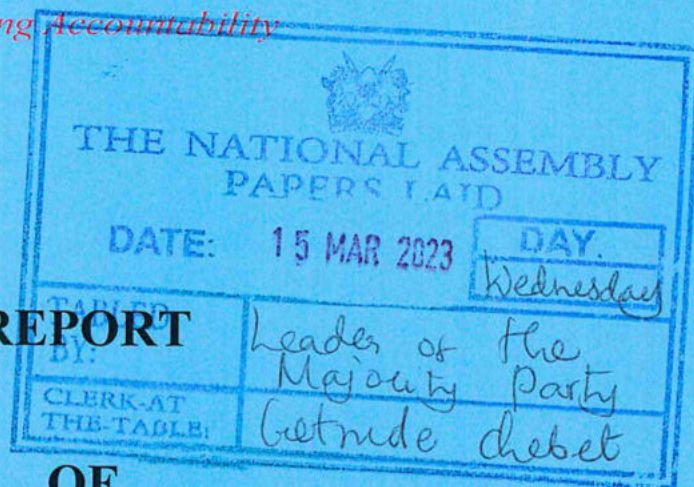


REPUBLIC OF KENYA



Enhancing Accountability



REPORT

OF

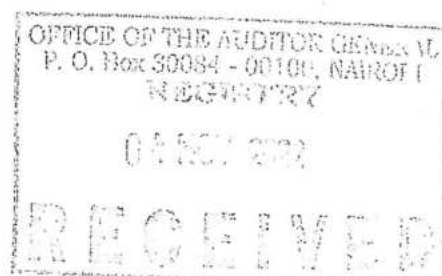
THE AUDITOR-GENERAL

ON

**FINANCIAL SECTOR SUPPORT PROJECT
(IDA CREDIT NO.5627-KE)**

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

THE NATIONAL TREASURY



REPUBLIC OF KENYA

THE NATIONAL TREASURY AND PLANNING

FINANCIAL SECTOR SUPPORT PROJECT

IDA CREDIT NUMBER 5627-KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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

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ABBREVIATIONS AND ACRONYMS

ACH	Automated Clearing House
AFI	Alliance for Financial Inclusion
AML/CFT	Anti-Money Laundering and Countering Financing of
Terrorism	
APA	Assistant Project Accountant
CBK	Central Bank of Kenya
CDSC	Central Depository and Settlement Corporation
CIS	Credit Information sharing
CMA	Capital Markets Authority
CPAK	Certified Public Accountants of Kenya
CSD	Central Securities Depository
DFID	UK Department for International Development
FLSTAP	Financial and Legal Sector Technical Assistance Project
FSA	Financial Services Authority
FSSP	Financial Sector Support Project
GoK	Government of Kenya
ICT	Information and Communications Technologies
ICPAK	Institute of Certified Public Accountants of Kenya
IDA	International Development Association
IOSCO	International Organization of Securities Commissions
IRA	Insurance Regulatory Authority
IT	Information Technology
KDIC	Kenya Deposit Insurance Corporation
KSH	Kenya Shillings
LSK	Law Society of Kenya
MDA	Ministries, Departments, and Agencies
MTEF	Medium Term Expenditure Framework
MTP2	Medium Term Plan II
NT	National Treasury
NT-BFEA	National Treasury Budgets, Fiscal & Economics Affairs
OAJ & DoJ	Office of the Attorney General and Department of Justice
OSH	Occupation, Health & Safety
PDMO	Public Debt Management Office
PDO	Project Development Objective
PIU	Project Implementing Unit
PPP	Public Private Partnerships
RBA	Retirement Benefits Authority
SACCO	Savings and Credit Cooperative
SASRA	SACCO Societies Regulatory Authority
TORs	Terms of Reference
TMD	Treasury Mobile Direct
WB	World Bank

PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

The official name of the project is **Financial Sector Support (FSSP) Project**. The project is located at:

Anniversary Towers, North Tower
7th Floor,
University Way/Monrovia Street
NAIROBI

Objective

The main objective of the project is to strengthen the legal, regulatory and institutional environment for improved financial stability, access to, and provision of, affordable and long term financing.

Address:

The National Treasury
Anniversary Towers, North Tower
7th Floor,
University Way/Monrovia Street
Nairobi
KENYA.

The address of its registered office is:

P.O.BOX 30007-00100

NAIROBI

Tel: +254-020 -2122271/4

Email: info@piu.go.ke

Contacts:

Telephone: (+254) 020-2210271/4

E-mail: info@piu.go.ke

Website: www.pppu.go.ke

1.2 Project Information

Project Start Date:	30 th April 2015
Project End Date:	30 th June 2022
Project Manager:	Mr. Ray Charles Musau
Project Sponsor:	International Development Association (IDA)

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the National Treasury and Planning.
Project number	56270 –KE
Strategic goals of the project	Overall Objective- to strengthen the legal, regulatory and institutional environment for improved financial stability, access to, and provision of, affordable and long term financing.
Achievement of overall objective	<p>The project is in YR 6 of implementation following restructuring and the ensuing performance status is in comparison to the Year Five targets as documented in the Project Appraisal Document.</p> <p>(i) Indicator 1- Implement Kenya Deposit Insurance Corporation (KDIC) bank resolution/crisis management operational framework</p> <p>YR 5Target- Yes (target set for this reporting period)</p> <p>Performance- The Operational Framework was developed. It includes the Bank Resolution Policy & Procedures Guidelines and the Risk Management Policy and Guidelines. The documents have been considered by the Technical Sub-Committee of the KDIC Board.</p> <p>(ii) Indicator 2- Reduced Net Interest Margin</p> <p>YR 5Target- Yes (target set for this reporting period)</p> <p>Performance- 5.88% (Annualised)</p> <p>(iii) Indicator 3- % of Long-term assets held by pension funds</p> <p>YR 5 Target- 52.00 %</p> <p>Performance- 51.00 %</p>

<p>Intermediate Results Indicators</p>	<p>Indicator 1- Crisis simulation training and practice sessions undertaken regularly to activate KDIC operational framework for crisis management.</p> <p>YR 5 Target- 3</p> <p>Performance- One (1No.) training was held in December 2015 where 30 officers drawn from the Financial Sector Regulators were trained. Procurement of training facilitators for further trainings was unsuccessful. Alternative models to undertake the simulations are being pursued. .</p> <p>Indicator 2- Number of MDA services using electronic payment instruments</p> <p>YR 5 Target- 1000 MDAs</p> <p>Performance- 350 MDAs (As of October 2021)</p> <p>Indicator 3- % Increase in Pension Coverage</p> <p>YR 5 Target- 20%</p> <p>Performance- 21% (Target met)</p> <p>Indicator 4- Draft framework for sub-national entities on debt management</p> <p>YR 5 Target- Yes (target set for this reporting period)</p> <p>Performance- • Assessment of financing gaps for Counties was concluded.</p> <p>County borrowing Circular released by the CS/NT on 9th February 2021 providing clear guidance on borrowing by county Governments stipulating the minimum requirements before issuance.</p> <p>Subsequently Counties such as Kisumu, Machakos and Bungoma became the first counties to complete a Public Credit Rating (March 2020) by GCR. The CMA and CRA Teams held a meeting on June 11, 2021 to update on the status and way forward in regard to progressing the County Financing project. The NT,CRA and CMA are planning a meeting to progress the project including pursue progress made by Laikipia County on their inaugural issuance.</p> <ul style="list-style-type: none"> • The CMA & NT met on 29th September 2021 to redress the outstanding issues impeding the full utilization of available capital market opportunities by Counties. •The CMA had a meeting with the CS/NT on 25th March 2022 to discuss among others outstanding policy issues geared towards a framework for market-based County Financing - specifically through the country's capital markets. This was part of the revised CMA Master Plan awaiting guidance/direction from the National Treasury <p>Indicator 5- Increase in banked retail investor accounts accessing M-Akiba</p> <p>YR 5 Target- 150,000</p> <p>Performance- As at the closing of the M-Akiba bond issuance and last reporting (end of December 2020), the updated total number of retail accounts stood at 582,572 (M-Akiba accounts only). NT/PDMO working on</p>
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	<p>affordable new issuance framework with multi-stakeholder engagement approach to ensure mitigation of potential pitfalls/risks in the issuance process</p> <p>Indicator 6- Draft legal framework for a secured transaction regime</p> <p>YR 5 Target- Yes (target set for this reporting period)</p> <p>Performance- The Secured Transaction Regime Act was assented into law on 16th May 2017 (Target met)</p> <p>Indicator 7- Depth of credit information index (0 to 8)</p> <p>YR 5 Target- 3</p> <p>Performance- 8 (Target Exceeded)</p> <p>Indicator 8 - Draft framework /regulation for new long term products</p> <p>YR 5 Target- 2</p> <p>Performance- The Capital Markets (Commodities Markets) Regulations 2020 and the Capital Markets (Coffee Exchange) Regulations 2020 were gazetted by the Cabinet Secretary for the National Treasury and Planning on 3rd April 2020.</p> <ul style="list-style-type: none"> • The Business Laws (Amendment) Bill, 2019 was also enacted into Law in March 2020 (The bill highlights the rights of offered to buy out minority shareholders). • The following regulations were developed under the draft Capital markets Regulations 2021 and exposed to stakeholder engagements (1) Collective Investment Scheme (CIS)/ Alternative Investment Funds and (2) Investment-Based Crowdfunding Funded by FSD Africa. <p>Regulations for example private equity, margin trading etc are still being conceptualized</p> <p>Performance- 3 (Target Exceeded)</p> <p>Indicator 9- Increase in volume of secondary market transactions of government debt</p> <p>The Secondary Market Government Bond Turnover stood at Kshs. 190.95 Billion as at Q1 2022.</p> <p>A comparison with Q4 2021 indicates a 3% increase from the Kshs. 185.07 Billion turnover recorded during that quarter.</p> <p>This is also a 4.16% decrease from Q1 2021 whereby Kshs. 199.23 Billion turnover was recorded.</p> <p>In Q1 2022, a total of Kshs. 191.03 Billion worth of bonds has been traded at the Exchange.</p> <p>This is a 4.19% decrease from Q1 2021 whereby Kshs. 199.38 Billion worth of bonds had been traded.</p>
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	<p>Indicator 10- Increase in insurance coverage</p> <p>YR 5 Target- 3.57 %</p> <p>Performance- 2.8 %</p> <p>N/B</p> <p>Attached to this report for reference is an annexure on the description of the Project Development Objective and Intermediate Results Indicators extracted from the Project Appraisal Document</p>
Other important background information of the project	<p>The GoK's Vision 2030 explicitly puts financial services at the center of higher economic growth in Kenya. The economic pillar of this strategy aspires to achieve high economic growth based on high national savings rates, which highlights the central role to be played by the financial sector. The financial sector is explicitly identified as one of the seven fast-track sectors in Vision 2030. Among its main objectives for financial sector development the strategy identifies: (i) improving stability; (ii) enhancing efficiency in the delivery of credit and other financial services, and; (iii) improving access to financial services products for a much large number of Kenyans. The Financial Services Medium term Plan II and III (MTP2 and MTP3) concretizes these goals by listing specific projects/programs that feature on the GoK's priority list.</p>
Current situation that the project was formed to intervene	<p>COMPONENT ONE–STRENGTHENING INSTITUTIONS</p> <p>This component focuses on the overarching reform, modernization, and capacity support to the financial sector institutional framework.</p> <p>This component delivers technical assistance to the various beneficiaries, mostly in the form of consultancies which will include amongst others; To design roadmaps and action plans and implementation support to realize the planned reforms. It will also support the upgrade of IT equipment and systems and deliver capacity support to ensure a more effective functioning of the financial architecture.</p> <p>a. Reforming Financial Architecture: The GoK has plans to streamline and make more efficient the overall financial architecture. This includes effecting:(i) a consolidation of all the non-banking regulators into a single Financial Services Authority (FSA); (ii) reforms necessary to create a more investor friendly environment in anticipation of the vast investment needs of the incipient natural resource economy; (iii) An improved interface for the public to access a range of public services through the digitization of the payments for these services and (iv) strengthening market conduct supervision.</p> <p><u>Progress</u></p> <p>National Treasury (NT-BFEA)</p> <p>- Purchase office equipment for NT-FSA - Contract signed on 28th February 2019. Delivery, installation and commissioning concluded.</p> <p>-Consultancy to Develop Roadmap for the Consolidation of Clearing, Settlement Depository System in Kenya- Assignment was concluded.</p>

	<p>-Recruitment of the 5 specialists to support the Government Digital Payments Taskforce to Scale-Up implementation of the Digitization Agenda in MDAs-EOI advertised on 30th May 2019 and closed on 13th June 2019 for two (2) senior systems/security administrators and two (2) system administrator specialists. Shortlist report was forwarded for approval. Procurement cancelled</p> <p>- Purchase scanners for GDP - Contract signed on 28th February 2019. (Production document Scanners and production book Scanners). Delivery, installation and commissioning concluded.</p> <p>- Consultancy to assist in developing the National Insurance policy framework. Contract signed with Russell Leith from Malawi from 1st May 2019. Assignment concluded.</p> <p>b. Modernizing Supervision: This sub-component supports: (i) Improving supervision: Banking, Non-Banking and Pensions (ii) Upgrading IT systems.</p> <p>Progress</p> <p>National Treasury (NT-BFEA)</p> <p>-Consultancy on AML/CFT-First phase of the assignment was Concluded on 14th August 2017. Procurement underway of consultant for second phase of the assignment. Procurement terminated due to re-allocation of FSSP funds towards Covid-19 emergency response</p> <p>- Consultancy to develop a comprehensive National Retirement Benefits Policy. Assignment on-going</p> <p>Capital Markets Authority (CMA)</p> <p>- Improve Information Management System including Technical financial analysis tools, E-Learning, and Communications Infrastructure. The consultancy contract was signed with International Securities Consultancy (ISC) Ltd on 28th August 2017. The second NCE was approved till June 2020. Assignment completed</p> <p>- Procure (i) hardware, (ii) software and (iii) network related equipment to support information repository, business intelligence, E-Learning, Communication infrastructure.</p> <p>Lot 1 - Install Data Repository & Business Intelligence System. The contract was signed on 30th September 2019 with Attain Enterprise Solutions Limited JV with ScienceSoft OY. Implementation on-going.</p> <p>Lot 2 - Hardware (1) Infrastructure Delivery and Setup. The contract was signed on 30th September 2019 with Computech Ltd. Awaiting delivery. (2) Lot 2 - Video conferencing. The contract was signed on 30th August 2019 with Specicom Technologies. Delivery and installation concluded.</p>
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	<p>Lot 3 - Microsoft Software Upgrades. The contract was signed on 30th September 2019 with Attain Enterprise Solutions Limited. Implementation concluded</p> <p>-Implementation of a trade reporting system for bond market- The consultancy contract was signed with FDHL Salonica Consortium on 5th March 2018. Assignment concluded.</p> <p>- Integration of CAPIZAR system to the upgraded NSE and CDSC systems. This was a direct procurement of CAPIZAR license. Contract signed on 28th March 2019 with Infotech Middle East FZ-LLC. Assignment concluded.</p> <p>- Consultancy for the acquisition of a multi-asset surveillance system. Contract signed with Financial Services Volunteer Corps (FSVC) New York on 29th April 2019. Assignment on-going.</p> <p>- Establishment an oversight framework for derivatives market. The consultancy contract with Mr. David White on 27th April 2017. 3rd NCE till 31st December 2019. Assignment concluded.</p> <p>- Resident Advisor to support CMA to establish areas for self-regulation; scope; potential SRO candidates; regulatory Framework for SROs. EOI advertised on 30th May 2019. EOI closed on 13th June 2019. Contract signed with International Securities Consultancy (ISC) Hong Kong on 15th may 2020. Assignment being concluded.</p> <p>-Consultancy to assess the funding gap Funding gap report for the National and County government level. Assignment concluded.</p> <p><u>Insurance Regulatory Authority (IRA)</u></p> <p>-Upgrading of IT Systems (Electronic Regulatory System) The consultancy contract was signed with Vizor Ltd on 24th April 2018. Assignment concluded.</p> <p>- Upgrading of IRA Data Center Infrastructure and Network. Contract signed on 28th February 2019 by Jo World Ltd. Delivery, installation and commissioning concluded.</p> <p>- Consultancy to review of the motor third party Liability market in Kenya. Contract signed with Actuarial Services (East Africa) Ltd. Assignment commenced on 29th April 2019. Assignment on-going.</p> <p>- Consultancy to develop a comprehensive legal and regulatory framework for regulation, supervision and development of Health Insurance in Kenya. EOI advertised on 30th May 2019. EOI closed on 13th June 2019. Assignment on-going.</p> <p><u>Retirement Benefit Authority (RBA)</u></p> <p>-Enhancement of ERP and RBS systems; and to implement a Document Management System, and Stakeholder Interaction / Relationship Management</p>
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	<p>system (SIRM). Contract signed with Attain Enterprise Solutions Limited on 6th May 2019. Assignment on-going and pending finalization.</p> <p>-Acquire a Business Continuity/ Disaster recovery solution. Contract signed on 28th February 2019 by BlueSky Limited. Delivery, installation and training concluded.</p> <p>- Consultancy to improve the Risk-Based Supervision Framework. The consultancy contract was signed with Adriunus Vugs on 14th August 2017 and extended to 31st August 2018. Assignment concluded.</p> <p>-Consultancy to undertake peer review of the effectiveness and quality of RBAs pension and education campaign. The contract was signed on 27th June 2018. Assignment on-going. Assignment concluded.</p> <p>-Consultancy to review the Retirement Benefit Act & Regulations. EOI advertised on 30th May 2019 and closed on 13th June 2019. Procurement cancelled</p> <p>- Consultancy to develop curriculum and manual for trustee development and capacity building of resource persons. EOI advertised on 30th May 2019 and closed on 13th June 2019. Activity terminated due to re-allocation of FSSP funds towards Covid-19 emergency response</p> <p><u>Kenya Deposit Insurance Corporation (KDIC)</u></p> <p>- Supply and Installation of a distant IT Disaster Recovery (DR) Site for KDIC in Kisumu. The contract was signed on 27th December 2017 with three firms namely; Technology Associates, Next Technologies and Intermass Technologies. Assignment concluded.</p> <p>- Consultant Develop specifications for a data warehouse, Financial Analysis tools and Information Technology Infrastructure for the KDIC. EOI advertised on 30th May 2019 and closed on 13th June 2019. Contract was signed with BPO LLP London UK on 16th December 2019. Assignment concluded.</p> <p>-Resident Advisor to establish KDIC as a Special Supervisor of the Banking Sector. The consultancy contract was signed on 17th March 2017 with Javier Bolzico. Assignment concluded.</p> <p>- Hire PR agency to prepare and conduct publicity events for the KDIC. Contract signed on 24th June 2019 with Brand Strategy Design (BSD) Limited. Assignment on-going.</p> <p>-Consultancy to facilitate & conduct three (3) Crisis preparedness and resolution simulation-workshops with stakeholders & Safety Net Players in the financial sector. EOI advertised on 30th May 2019 and closed on 13th June 2019. Engagements on-going to carry out initial training and sensitization using local capacity.</p> <p><u>Sacco's Societies Regulatory Authority (SASRA)</u></p>
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	<ul style="list-style-type: none"> - Furnish SASRA new offices. The supply contract was signed on 18th December 2017 with Viable décor furniture. The furniture and equipment were delivered. Assignment concluded. - Purchase of equipment for SASRA new offices. Contract signed on 28th February 2019 with Specicom Technologies Ltd. Delivery, installation and commissioning concluded. - Purchase Disaster recovery and Business Continuity Hardware specification. Contract signed on 28th February 2019 with Eurocom Systems Ltd to supply 2 servers and other office equipment to SASRA. Delivery, Installation and Commissioning concluded. - Consultancy to review IT system; make recommendations for RBS system; upgrade of ERP. Contract signed with Market Edge Limited Assignment on-going. Downstream procurement concluded and implementation on-going. - Consultancy to develop and Implement Risk-Based supervision policy framework. The consultancy contract was signed with Dave Grace & Associates on 21st June 2017. Assignment was concluded. - Consultancy to conduct study on shared services. Contract signed with David Cracknell, Microsave Consulting Ltd, Kenya commencing 15th April 2019. Assignment concluded. - Consultancy to support SASRA with the production of reliable supply-side statistics. The consultancy contract was signed with World Council of Credit Union on 31st July 2017. Assignment concluded. - Consultancy to review the legal and financial framework to facilitate establishment of a DGF for DT SACCOs. The contract was signed with Mr. Madibo Camara of A2F Consulting LLC on 4th December 2017. Assignment concluded. - Consultant to review the existing policy, legal, regulatory and institutional framework on market conduct regulations of SACCO Societies. Contract signed on 18th March 2019 by Prof. Gianfranco Antonio Vento, Net Present Value Limited, Malta, UK. Assignment concluded. - Consultant to conduct regulatory Impact Assessment on the DT-SACCO Legal, Regulatory and Operational environment- Contract. Contract signed with M/S Dalberg Advisors on 25th June 2019. Assignment concluded. - Hire a PR Firm to Develop and implement Public awareness and education programme. EOI advertised on 30th May 2019 and closed on 13th June 2019. Pending approval to award. -Consultancy to enhance effectiveness and efficiency of SASRA's Human Resource function. EOI advertised on 30th May 2019 and closed on 13th June 2019. Negotiation concluded. Procurement cancelled due to non-responsiveness.
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- Consultancy to Support a Sacco Shared Services Platform. **Activity completed.**

- Purchase of a Disaster Recovery Site, Primary Data Center, Security and Performance tools. **Activity completed.**

Central Bank of Kenya (CBK)

-Consultancy to enhance CBK's end to end onsite surveillance process to ensure its' efficiency and effectiveness. The consultancy contract was signed with a joint venture between KPMG and Azmasoft Consulting Ltd & Grande Afrique on 24th February 2017. **Assignment concluded.**

-Consultancy to review the human resource component of the Central Bank of Kenya. The consultancy contract was signed with KPMG Advisory Services on 4th September 2017. **Assignment concluded.**

- Project Manager for CSD - Tender advertised on 3rd May 2019 and closed on 17th May 2019. Evaluation concluded. **Procurement cancelled by CBK in October 2019.**

- Supply, installation and commissioning of a CSD – Awaiting approval of standard bidding document. Contract signed with Montran Corporation on 22nd May 2020. **Implementation on-going**

Building Capacity: The Project delivers capacity support to the following project beneficiaries; National Treasury, Central Bank of Kenya, Insurance Regulatory Authority, Retirement Benefit Authority, Kenya Deposit Insurance Corporation, Sacco's Societies Regulatory Authority, Capital Markets Authority, Public Debt Management Office, Office of the Attorney General & Department of Justice and Project Implementation Unit.

Progress

The table below shows the individual and group trainings that were supported during the period under review.

PBA	No of trainings held June 2020-June 2022	No of trainings (July 2015-June 2022)	Total number of individual officers trained (July 2015-June 2022)			No of Group trainings
			Total	Male	Female	
NT	NIL	65	55	31	24	1 (675 pple)
PDMO	NIL	16	14	8	6	1 grp (30 pple)
CMA	NIL	46	49	35	14	4(149 pple)
IRA	NIL	10	16	12	4	1 (14 pple)
RBA	NIL	38	40	28	12	N/A

KDIC	NIL	37	51	28	23	1(38 pple)
SASRA	NIL	45	43	27	16	3(41 pple)
OAG	NIL	38	28	11	17	9 (505)
CBK	NIL	6	9	4	5	N/A
PIU	NIL	74	29	9	20	N/A
TOTAL	NIL	375	334	193	141	20 Groups (1452 pple)

COMPONENT TWO- ENABLING EFFICIENT FINANCIAL INTERMEDIATION

This component moves toward the financial inclusion agenda in Kenya with focus on strengthening the credit infrastructure and making more transparent the pricing of financial intermediation (savings and lending) so that more businesses and individuals have access to affordable financial products. The component supports activities related to:

- a) **Improving credit information data sharing:** One of the main issues with the pricing of credit in Kenya is the need to enhance transparency in the process. Credit providers are usually constrained for data, and the Project supports the expansion of the credit reporting system so that all credit providers can participate in full-file credit information sharing.

Progress

National Treasury-BFEA

- Consultant to review and identify gaps within the existing framework for credit information sharing; to propose areas across the financial sector in which the framework can be harmonized. Contract signed on 29th January 2019 with Rashid Ahmed. **Assignment concluded.**

-Consultancy PR Firm to Develop and implement Public awareness and education programme. Contract signed on 31st December 2018 with Apex Porter Novelli (APN). **Assignment on-going.**

- (b) **Strengthening the regime for moveable collateral:** Support is provided to strengthen moveable collateral mechanisms to facilitate increased lending to SMEs at affordable rates by supporting the necessary legal and regulatory reforms for secured transactions, followed by the creation of an electronic moveable assets registry.

Progress

- Office of the Attorney General & Department of Justice-Business Registration Services

- Consultancy (Project Manager) to review the Review and support of the collateral registry system-BRS. EOIs advertised on 18th September 2018. EOI closed on 2nd October 2018. Contract signed with Norway Registers Development (NRD) on 4th May 2020. **Assignment terminated by BRS.**

- Consultancy to conduct training & Capacity build stakeholders on ST regime and public awareness. Contract signed by Wanyaga & Njaramba Advocates Sub-Consulting KIM and BSD Group from 17th June 2019.

Assignment on-going

(c) **Supporting implementation of the new insolvency regime:** As the new Insolvency Bill is expected for debate in Parliament, the Project provides support for the implementation of the bill and building the capacity of key stakeholders to ensure robust regime is in place.

Progress

- Office of the Attorney General & Department of Justice-Business Registration Services

- Consultant to develop Insolvency Regulations. The contract with Prof. Peter Walton was signed on 8th September 2017 and extended to 10th June 2019. **Assignment concluded.**

(d) **Expanding the availability of alternative Savings Instruments:** The focus here is on facilitating additional savings mobilization by developing alternatives to bank deposits such as purchases of government bonds by retail investors using the mobile platform.

COMPONENT THREE—MOBILIZING LONG-TERM FINANCE

This component focuses on strengthening the demand for and supply of long-term funds so that Kenya's growing development finance needs for long-term projects in infrastructure, housing, etc. can be met. The component supports.

- a) **New Term Products:** The priority is to develop and support the uptake of instruments that can channel financing to infrastructure given Kenya's infrastructure investment gap. Such instruments include infrastructure project bonds and funds, sharia compliant instruments, housing finance products. Other instruments that could be improved to support infrastructure, as well as other long-term financing needs (e.g. housing and SME financing), include securitization and equity markets.

Progress

Public Debt Management Office

- Procurement of office furniture. The supply contract was signed with Viable Décor on 18th December 2017. The furniture was delivered. **Assignment completed**

-Procurement of office equipment. Contract signed on 28th February 2019 with E-time Solutions, Specicom Technologies and MFI Documents Ltd. **Delivery, installation and commissioning concluded.**

	<ul style="list-style-type: none"> - Debt Specialist to provide strategic and tactical oversight of the Directorate of Public Debt Management Office (PDMO) (2nd procurement). Contract awarded Louis Jose Phillipe Maurel on 26th November 2019. Assignment concluded. - Procure mechanism for electronic issuance, trading, surveillance and reporting on government debt performance. Tender advertised on 25th March 2019 and closed on 24th April 2019. Contract singing on-going. -Consultancy PR Firm to undertake a financial literacy and public awareness campaign for M-Akiba. EOI advertised on 30th May 2019 and closed on 13th June 2019. Procurement terminated by the PDMO at negotiation phase. Procurement terminated. <p><u>Capital Markets Authority</u></p> <ul style="list-style-type: none"> - Undertake a study on identification and analysis of the funding gap at the National and county level to inform product and service development. The consultancy contract was signed with Mr. Adrianus Vugz on 15th April 2017. Assignment concluded. <p><u>National Treasury-BFEA</u></p> <ul style="list-style-type: none"> - Support initial operationalization of the Kenya Mortgage Refinance Company (KMRC). Contract signed on 13th December 2018 by NIC Capital Limited sub-consulting Mboya Wangong'u & Waiyaki Advocates. Assignment concluded. - Consultancy to undertake a public awareness campaign for KMRC. EOI advertised on 30th May 2019 and closed on 13th June 2019. Contract signed with Media Edge Technologies on 23rd March 2020. Assignment on-going. - Consultancy to support development of a strategic plan for KMRC. EOI advertised on 30th May 2019 and closed on 13th June 2019. Contract was signed with Genesis Analytics on 16th March 2020. Assignment concluded. <p>b) Strengthening Institutional Investors: The priority is to mobilize long term savings by bringing in new savers into the market and developing the local capacity among institutional investors, mainly pension funds and insurance companies, to invest in long term projects through capital markets instruments.</p> <p>Progress</p> <p><u>Retirement Benefits Authority</u></p> <ul style="list-style-type: none"> -Review the existing pensions' legal and regulatory framework to incorporate informal sectors: Revise existing MBOA pension scheme. The consultancy contract was signed with Pinbox in May 2017. Assignment completed. -Review the existing pension's legal and regulatory framework with a view to
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	<p>broadening the pension fund investment scope to include long-term investments. The consultancy contract was signed with Andrew Slater in June 2017. Assignment Completed.</p> <p>-Review the Pension System in Kenya and recommendations on expansion of coverage. Negotiations failed. Negotiations failed with 1st, 2nd and 3rd shortlisted consultants. Procurement cancelled</p> <p>-Consultancy to conduct a behavioral study of the youth on savings retirement in light of the high labor mobility. EOI advertised on 30th May 2019. EOI closed on 13th June 2019. Contract signed with IPSOS Kenya on 16th January 2020. Assignment concluded.</p> <p>COMPONENT FOUR–SUPPORTING PROJECT MANAGEMENT</p> <p>The Project Implementation Unit is responsible for project operations with oversight from National treasury and World Bank.</p> <p>Progress</p> <p>-Five additional PIU staff members were recruited since March 2017 and they include; Assistant Project Manager, Procurement Specialist, Project Officer, Assistant Project Accountant and an Office Assistant.</p>
Project duration	The project commenced on April, 2015 and is expected to run until June 30, 2022, with a disbursing period to October 31, 2022.

1.4 Bankers

The following are the bankers for the current year:

a) Special Deposit Account

Central Bank of Kenya
Haile Selassie Avenue
P.O.BOX 60000-00200
Nairobi, Kenya

FSSP Account No. 1000237937

b) Local Project Account

Central Bank of Kenya
Haile Selassie Avenue
P.O.BOX 60000-00200
Nairobi, Kenya

FSSP Account No.1000237872

1.5 Auditors

Auditor General
The Office of the Auditor General
Anniversary Towers
University Way/ Monrovia Street
P.O.BOX 30084
Nairobi, Kenya.

1.6 Project Governance

The Project's governance framework requires the stakeholders to uphold the highest professional, ethical, moral and legal standards. This is achieved through effective segregation of duties with clear checks and balances as articulated in the Project Loan/Credit Agreement, the PFM Act, 2012, the Project Design Report, the Implementation Manual and the Finance and Procurement Manuals.

1. The Project Steering Committee (PSC)

This Committee is responsible for overseeing the implementation of the Project, approving the annual work plan and budget, and ensuring that the activities are in compliance with the donor and government policies.

2. International Development Association(IDA)

IDA under the World Bank is the project sponsor. They are responsible for reviewing and approving the project's withdrawal applications, expenditure justifications, no objection requests, reviewing and approving the annual work plan and budget, expenditure category reallocation request, and participating in implementation support missions.

3. The National Treasury and Planning

The National Treasury and Planning is the parent ministry ensures that the Project's budget is captured in its development projects and disbursement of exchequer transfers. The ministry reviews and tracks the Project's annual work plan and budget against the set targets and makes the approvals. The parent ministry also oversees the execution of the project coordinating team.

4. The Auditor

The Supreme Audit Institution in Kenya, that is, the Office of the Auditor General, is mandated by the Constitution of Kenya Chapter 12, Part 6, Article 229 which establishes the Office of the Auditor General. Chapter 15, Article 248, Section 3 and Article 249, Section 2 (a) and (b) and section 10 of the Public Audit Act, 2015 provide for the independence of the Office of the Auditor General.

The Auditor General is mandated to audit all national government entities, which include government development projects and present these statutory financial statements to the Parliament. This facilitates the submission of the audited report to the project's sponsors by 31 December each year.

5. Project Coordinating Team (PCT)

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

The key staff, who form the project coordinating team that is involved in the day to day management of the project and its implementation are:

NO	Names	Title designation	Responsibilities
1	Mr. Albert K. Mwenda, HSC	Director General –BFEA	Project Coordination at the National Treasury
2	Mr. Ray Charles Musau	Project Manager & Financial Sector Specialist	Project Management and Financial Sector Advisory
3	CPA David Sandagi	Assistant Project Manager	Support in Project Management, Financial Sector Advisory and Financial Management
4	Mr. Paul Mwangi	Procurement Specialist	Procurement Management
5	Ms. Sheila Chanyisa	Project Officer-Financial Sector	Support in Project Management,

1.7 Funding summary

The Project was for a duration of 5(five) years from 30th April 2015 to 30th April, 2021, and was restructured to extend the closing date to 30th June 2022. The approved budget is **US\$ 37.00 Million** equivalent to **KSh. 3.70Billion** on 100% IDA (World Bank) funding. Below is the funding summary:

(A) Source of funds

Source of funds	Donor Commitment-		Amount received to date (30 th June 2022)		Undrawn balance to date (30 th June 2022)	
	USD	KShs	USD	KShs	USD	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
International Development Association (IDA)	37,000,000	3,700,000,000	22,920,748	2,466,615,492	14,079,252	1,233,384,508

(B) Application of funds

Application of funds	Amount received to date (30 th June 2022)		Cumulative Amount paid to date (30 th June 2022)		Unutilised balance to date (30 th June 2022)	
	USD	Kshs	USD	Kshs	USD	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
International Development Association (IDA)	22,920,748	2,466,615,492	21,899,937	2,366,371,168	1,020,811	100,244,324

1.8 Summary of Overall Project Performance

During the year under review, the project received an amount of KSh.267,192,000 and incurred expenditure of KSh.271,192,000. Cumulatively, the Project received an amount of KSh. 2,466,615,192 and incurred expenditure of Ksh. 2,366,371,168 since inception. This represented utilization of 96%.

1.9 Receipts Utilization

The project received KSh.267,192,000 during the year under review against a budget of KSh.1,816,342,220. This represented utilization of 15%. Cumulatively, the Project received an amount of KSh. 2,466,615,492 against the total credit of Ksh. 3,700,000,000. This represented utilization of 67%.

1.10 Payment Utilisation

The project paid KSh. 271,002,734 during the year against a budget of KSh. 1,816,342,220. This represented utilization of 15%. Cumulatively, the Project paid Ksh. 2,366,371,168 against the project credit of Ksh. 3,700,000,000. This represents utilization of 64%.

1.11 Challenges Encountered

The project encountered delays in procurement and completion of implementation of consultancies and attendant down-stream support during the year under review.

1.12 Summary of Project Compliance

There are no indications of non-compliance of the FSS Project on the overall project performance.

STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Principal Secretary for the National Treasury and the Project Manager for Financial Sector Support 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 year ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

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

The Principal Secretary for the National Treasury and the Project Manager for Financial Sector Support 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 period ended June 30, 2022, and of the Project's financial position as at that date. The Principal Secretary for the National Treasury and Planning and Project Manager for Financial Sector Support Project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The Principal Secretary for the National Treasury and the Project Manager for Financial Sector Support 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 under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project financial statements were approved by the Principal Secretary for the National Treasury and the Project Manager for Financial Sector Support Project on 20th SEPTEMBER 2022 and signed by them.



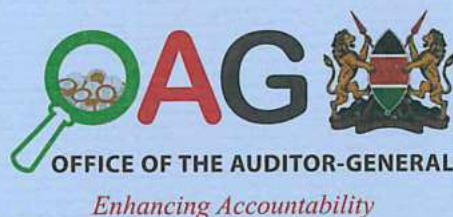
Principal Secretary/NT
Julius Muia, PhD, CBS



Project Manager
Ray Charles Musau

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON FINANCIAL SECTOR SUPPORT PROJECT (IDA CREDIT NO.5627-KE) FOR THE YEAR ENDED 30 JUNE, 2022 – THE NATIONAL TREASURY

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Financial Sector Support Project IDA Credit No.5627-KE set out on pages 1 to 15, which comprise of the statement of financial assets as at 30 June, 2022, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Financial Sector Support Project as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement No.5627-KE between the International Development Association and the Republic of Kenya dated 4 June, 2015 and the Public Finance Management Act, 2012.

In addition, the special account statement presents fairly, transactions for the period, 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 Financial Sector Support 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

Uncertainty in Sustainability of Services

The statement of comparison of budget and actual amounts reflects percentage utilization of expenditure on compensation of employees amounting to Kshs.23,001,570 against a budget provision of Kshs.27,537,084 or 84% of the approved budget. Although Management has explained the variance was due to delayed project restructuring, available information indicate that the Project Implementation Unit contracted employee's terms lapsed in April, 2022 and they continued to offer services to the project without compensation. Further, the project disbursing period was to lapse in October, 2022 and lack of valid contracts of the Project Implementation Unit staff, exposes the project

operations to the risk of external interference and casts doubt on the finalization of the project activities and subsequent closure.

My opinion is not modified in respect of this matter.

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

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.1,816,346,218 and Kshs.267,192,000 respectively resulting to an under-funding of Kshs.1,549,154,218 or 85% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.1,816,346,220 and Kshs.271,002,735 respectively resulting to an under-expenditure of Kshs.1,545,343,485 or 85% of the budget.

Based on the approved estimates, the under- funding and under- expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

2. Pending Bills

Note 9 and Annex 1 to the financial statements indicates that the Project had pending bill of Kshs.3,930,400 as at 30 June, 2022. Management has not explained why the bill was not settled during the year when it occurred. The Project risks incurring significant interest costs and penalties with continued delay in payment.

Failure to settle bills during the year in which they relate to distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by International Development Association (IDA), 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 are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material

misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

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

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

I communicate with 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

10 November, 2022

operations to the risk of external interference and casts doubt on the finalization of the project activities and subsequent closure.

My opinion is not modified in respect of this matter.

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

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.1,816,346,218 and Kshs.267,192,000 respectively resulting to an under-funding of Kshs.1,549,154,218 or 85% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.1,816,346,220 and Kshs.271,002,735 respectively resulting to an under-expenditure of Kshs.1,545,343,485 or 85% of the budget.

Based on the approved estimates, the under- funding and under- expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

2. Pending Bills

Note 9 and Annex 1 to the financial statements indicates that the Project had pending bill of Kshs.3,930,400 as at 30 June, 2022. Management has not explained why the bill was not settled during the year when it occurred. The Project risks incurring significant interest costs and penalties with continued delay in payment.

Failure to settle bills during the year in which they relate to distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by International Development Association (IDA), 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 are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material

misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

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

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

I communicate with 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

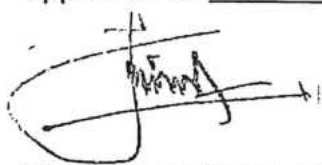
10 November, 2022

FINANCIAL SECTOR SUPPORT PROJECT
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2022

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE, 2022

	Notes	2021/2022			2020/2021			Cumulative to date
		Receipts and payments controlled by the entity KSh.	Payments made by third parties KSh.	Total KSh.	Receipts and payments controlled by the entity KSh.	Payments made by third parties KSh.	Total KSh.	KSh.
RECEIPTS								
Loan from external development partners	8.3	267,192,000	-	267,192,000	391,260,000	-	391,260,000	2,466,615,49
Miscellaneous receipts	8.4	-	-	-	21,000	-	21,000	902,630
TOTAL RECEIPTS		267,192,000	-	267,192,000	391,281,000	-	391,281,000	2,467,518,12
PAYMENTS								
Compensation of employees	8.5	23,001,570	-	23,001,570	28,706,614	-	28,706,614	102,832,24
Purchase of goods and Services	8.6	125,261,210	-	125,261,210	196,691,129	-	196,691,129	1,463,377,320
Acquisition of non-financial assets	8.7	122,739,955	-	122,739,955	183,412,709	-	183,412,709	800,319,73
TOTAL PAYMENTS		271,002,735	-	271,002,735	408,810,452	-	408,810,452	2,366,321,165
SURPLUS/(DEFICIT) FOR THE YEAR		(3,810,735)	-	(3,810,735)	(17,529,452)	-	(17,529,452)	101,196,95

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



Principal Secretary/NT
Julius Muia, PhD, CBS



Project Manager
Ray Charles Musau

FINANCIAL SECTOR SUPPORT PROJECT
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2022

STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE, 2022

	Notes	2021/22 KSh.	2020/21 KSh.
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	8.8	101,196,952	105,007,686
Total cash and Cash Equivalents		101,196,952	105,007,686
REPRESENTED BY:			
Fund balance b/fwd	8.10	105,007,686	122,537,138
Prior Year Adjustment	8.11	-	-
Surplus/Deficit for the year		(3,810,735)	(17,529,452)
NET FINANCIAL POSITION		101,196,952	105,007,686

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



Principal Secretary/NT
Julius Muia, PhD, CBS



Project Manager
Ray Charles Musau

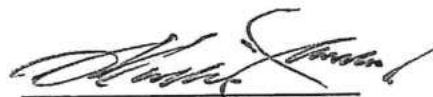
STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2022

	Note	2021/22 KSh.	2020/21 KSh.
CASHFLOW FROM OPERATING ACTIVITIES			
Receipts for operating activities			
Miscellaneous receipts	8.4	-	21,000
Payments for operating activities			
Compensation of employees	8.5	(23,001,570)	(28,706,614)
Purchase of goods and services	8.6	(125,261,210)	(196,691,129)
		(148,262,780)	(225,397,743)
Adjusted for :			
Adjustments during year	8.11	-	-
Net cash flow from operating activities		(148,262,780)	(255,376,743)
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	8.70	(122,739,955)	(183,412,709)
Net cash flows from Investing Activities		(122,739,955)	(183,412,709)
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	8.3	267,192,000	391,260,000
Net cashflow from financing activities		267,192,000	391,260,000
NET INCREASE IN CASH AND CASH EQUIVALENT		118,929,220	165,883,257
Cash and Cash Equivalent at the BEGINNING of the year		105,007,686	122,537,138
Cash and Cash Equivalent at the END of the year		101,196,952	105,007,686

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



Principal Secretary/NT
Julius Muia, PhD, CBS



Project Manager
Ray Charles Musau

FINANCIAL SECTOR SUPPORT PROJECT
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2022

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

	Original Budget	2021/22 Adjustment	Final Budget	Actual	Variance	
	a	B	c=a+b	d	e=c-d	f=d/c%
	KSh.	KSh.	KSh.	KSh.	KSh.	%
RECEIPTS						
Proceeds from Borrowing - IDA Loan	1,816,346,218	-	1,816,346,218	267,192,000	1,549,154,218	15%
Miscellaneous receipts	-	-	-	-	-	-
TOTAL RECEIPTS	1,816,346,218	-	1,816,346,218	267,192,000	1,549,154,218	15%
PAYMENTS						
Compensation of employees	27,537,084		27,537,084	23,001,570	4,535,515	84%
Purchase of goods & services	386,949,264	-	386,949,264	125,261,210	261,688,054	32%
Acquisition of non-financial assets	926,659,872	-	926,659,872	122,739,955	803,919,917	13%
Other Grants and transfers	475,200,000	-	475,200,000	-	475,200,000	0%
TOTAL PAYMENTS	1,816,346,220	-	1,816,346,220	271,002,735	1,545,343,486	15%
SURPLUS/(DEFICIT) FOR THE YEAR						
			-	(3,810,735)	3,810,732	

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

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The project's financial statements were approved on 20th SEPTEMBER 2022 and signed by:



Principal Secretary/NT
Julius Muia, PhD, CBS



Project Manager
Ray Charles Musau

NOTES TO THE FINANCIAL STATEMENTS

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

Basis of Preparation

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.

Reporting entity

The financial statements are for the Financial Sector Support (FSSP) Project under The National Treasury and Planning. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

Reporting currency

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

Significant Accounting Policies

a) Recognition of receipts

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

Transfers from the Exchequer

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

External Assistance

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

a) Recognition of receipts

Donations and grants

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

Proceeds from borrowing

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

Undrawn external assistance

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

Other receipts

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

b) Recognition of payments

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

Compensation of employees

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

Use of goods and services

Goods and services are recognized as payments in the period when the

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

Interest on borrowing

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

Repayment of borrowing (principal amount)

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

Acquisition of fixed assets

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

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

c) In-kind donations

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

d) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

Restriction on cash

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

e) Accounts receivable

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

f) Pending bills

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

g) Budget

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

i) Exchange rate differences

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

j) 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.

k) Subsequent events

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

l) Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

FINANCIAL SECTOR SUPPORT PROJECT
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2022

NOTES TO THE FINANCIAL STATEMENTS (continued)

8.3 LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

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

8.3 Loan from external development partners

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment	Total amount in KSh.	
					2022/22	2020/21
		USD	KSh.		KSh.	
Loans Received from Multilateral Donors (International Organizations)						
International Development Association (IDA)	4/11/2021	2,400,000	267,192,000	-	267,192,000	391,260,000
		2,400,000	267,192,000	0	267,192,000	391,260,000

8.4. Miscellaneous Receipts

Name	Receipts controlled by the project in cash KSh.	2021/22 Receipts controlled by third parties KSh.	2020/21 Total Receipts KSh.	KSh.
Sale of goods and services	-	-	-	-
Other receipts not classified elsewhere	-	-	-	21,000
	-	-	-	21,000

**FINANCIAL SECTOR SUPPORT PROJECT
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2022**

8.5 Compensation of Employees

	2021/22			2020/21
	Payments made by the project in cash KShs.	Payments made by third parties KShs.	Total Payments KShs.	KShs.
Basic Salary for Contracted Staff	23,001,570	-	23,001,570	28,706,614
	23,001,570	-	23,001,570	28,706,614

8.6 Purchase of Good and Services

	2021/22			2020/21
	Payments made by the project in cash KShs.	Payments made by third parties KShs.	Total Payments KShs.	KShs.
Utilities, supplies and services	-	-	-	-
Training and workshop expenses	3,461,600	-	3,461,600	66,421,666
Other operating expenses	8,889,460	-	8,889,460	12,397,623
Consulting services	112,910,150	-	112,910,150	117,871,840
	125,261,210	-	125,261,210	196,691,129

**FINANCIAL SECTOR SUPPORT PROJECT
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2022**

8.7 ACQUISITION OF NON-FINANCIAL ASSETS

	2021/22		2020/21
	Payments made by the project in cash KSh.	Payments made by third parties KSh.	Total Payments KSh.
Purchase of office furniture & general equipment	122,739,955	-	122,739,955
			183,412,709
Total	122,739,955	-	122,739,955
			183,412,709

8.8 Cash and cash equivalents carried forward

	2021/22 KSh.	2020/21 KSh.
Bank accounts(Note 8.8)	101,196,952	97,746,486
Payment pending remittance	-	7,261,200
Total	101,196,952	105,007,686

8.9 Bank Accounts

Project Bank Accounts

	2021/22 USD.	2020/21 USD.
Foreign Currency Accounts		
Central Bank of Kenya(Account No.1000237937)	78,151	1,024,649
	78,151	1,024,649

Local currency Account

Total Local currency balances

Central Bank of Kenya(Account No.100237872)	101,196,952	97,746,486
---	-------------	------------

**FINANCIAL SECTOR SUPPORT PROJECT
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2022**

Total Foreign Currency balances	101,196,952	97,746,486
---------------------------------	-------------	------------

Total Bank account balances	101,196,952	97,746,486
-----------------------------	-------------	------------

Special Deposits Accounts Movement Schedule

	2021/22 KSh.	2020/21 KSh.
A/C Name (Ac No.1000237937)		
Opening Balance	1,024,649	2,163,207
Total Amount deposited in the account	1,453,502	2,461,441
Total Amount withdrawn (as per Statement of Receipts & Payments)	2,400,000	3,600,000
Closing balance as per SDA bank account reconciliation attached	78,151	1,024,648

8.10. Fund balance brought forward

	2021/22 KSh.	2020/21 KSh.
Bank Accounts	101,196,952	97,746,486
Cash in hand	-	-
Total	101,196,952	97,746,486

**FINANCIAL SECTOR SUPPORT PROJECT
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2022**

**8.11. CUMULATIVE EXPENDITURE FOR
PROJECT LIFE TO DATE**

	Prior year Cumulative		Current Year		Total Cumulative
	Receipts and payments controlled by the project	Receipts and Payments made by third parties	Receipts and payments controlled by the project	Receipts and Payments made by third parties	
	KSh.		KSh.		KSh.
RECEIPTS					
Loan from external development partners (IDA)	2,199,400,192	-	267,192,000	-	2,466,592,192
Miscellaneous Receipts	902,630	-	-		902,630
Total Receipts	2,200,302,822	-	267,192,000	-	2,467,494,822
PAYMENTS					
Compensation of employees	79,830,678	-	23,001,570	-	102,832,248
Purchase of goods & services	1,338,116,110	-	125,261,210	-	1,463,377,320
Acquisition of non-financial assets	677,579,781	-	122,739,955	-	800,319,736
Prior year adjustments	(208,135)	-	-	-	(208,135)
Total Payments	2,095,318,434	-	271,002,735	-	2,366,321,169
Surplus/(Deficit) for the year	104,984,387	-	(3,810,735)	-	101,173,652

9. Pending Bills

Pending bills during the financial year to June, 2022 amounted to Ksh. 3,930,400.97. The Pending bill in annex 2 forms an integral part of the financial statements.

10.0 Progress on follow up of Auditor Recommendation

FINANCIAL SECTOR SUPPORT PROJECT
ANNUAL REPORT AND FINANCIAL STATEMENTS
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There were no items for follow up on Auditor's recommendations during the year ended June 30, 2022.

11.0 ANNEXES

ANNEX1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance(below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
	KSh.	KSh.	KSh.		
RECEIPTS					
Proceeds from borrowings (IDA Loan)	1,816,346,218	267,192,000	1,549,154,218	15%	Delayed Project restructuring
TOTAL RECEIPTS	1,816,346,218	267,192,000	1,549,154,218	15%	
PAYMENTS					
Compensation of employees	27,537,084	23,001,570	4,535,514	84%	Delayed Project restructuring
Purchase of goods & services	386,949,264	125,261,210	261,688,054	32%	Delayed Project restructuring
Acquisition of non-financial assets	926,659,870	122,739,955	803,919,915	13%	Delayed Project restructuring
Other grants and transfers	475,200,000	-	475,200,000	0%	Delayed Project restructuring
TOTAL PAYMENTS	1,816,346,218	271,002,735	1,545,343,483	15%	

FINANCIAL SECTOR SUPPORT PROJECT
ANNUAL REPORT AND FINANCIAL STATEMENTS
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ANNEX II (A) ASSET REGISTER

THE NATIONAL TREASURY AND PLANNING									
FINANCIAL SECTOR SUPPORT PROJECT									
ASSETS REGISTER AS OF 30TH JUNE ,2022									
No.	Item Description	Make	Model No.	Serial no.	Qty	@ Cost (Ksh.)	Total Cost	Year of Purchase	Station
Equipment(ICT Equipment)									
1	Disaster recovery site and data centre, security and performance tools						85,717,996	2021	SASRA
2	Upgrade of the Electronic Regulatory System						12,792,849	2018	IRA
3	Bulk Filing Units, Fireproof Cabinets & Office Safe						1,165,800	2021	KMRC
4	E-board and video conference system						23,063,309	2021	KMRC
GRAND TOTAL							122,739,955		

Note

The above fixed assets were procured by the project for the beneficiary agencies, who maintain them.

FINANCIAL SECTOR SUPPORT PROJECT
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2022

**ANNEX 1 (B) ASSET REGISTER - NON-CURRENT ASSETS UNDER
THE CONTROL OF THE PROJECT**

No.	Item Description	Model No.	Qty	@ Cost (Ksh.)	Total Cost
	Tablets		20	77,270	1,636,748
	UPS		1		1,665,736
	System Storage Net App				41,170,271
	Security Appliances7/18/2019:Check Point 5200 Firewall & management software		3		10,211,066
	Toyota Land Cruiser Prado	KDJ150R-GKFEY TX-L 3.0 L TURBO DIESEL	1		10,175,100
		HP Pro desk-CPUS	9		
	Desktop Computers	HP Pro desk-Monitors	9	98,000.00	882,000
	Television	60" LG TV	1	245,000	245,000
	Surface Tablets	Microsoft Surface Pro	8	155,000	1,240,000
	UPS	APC 1500 VA Smart UPS	9	53,000	477,000
	Server	2U HP Rack Mountable Server	1	1,250,000	1,250,000
	Heavy duty Multi-functional Color printer	KYOCERA 6052CI	1	1,069,057	1,069,056
	Heavy duty shredder		1	122,387	122,386
	Projector and screens	SPECTRON	1	168,158	168,157
	Medium duty color printer	KYOCERA TASCALFA 8052ci	1	51,649	51,649
	Scanner	Kodak i3250 scanner	1	190,241	190,241
GRAND TOTAL					70,554,414

Note

The above fixed assets were procured by the project for use by the Project staff, who maintain them.

FINANCIAL SECTOR SUPPORT PROJECT
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2022

ANNEX 2 LIST OF PENDING BILLS

NO	PAYEE	DESCRIPTION	AMOUNT (KSH.)
1	Media Edge Interactive Limited	Public Awareness Campaign for KMRC	3,930,400.97
TOTAL			3,930,400.97

FINANCIAL SECTOR SUPPORT PROJECT
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2022

APPENDICES BANK RECONCILIATIONS AND CERTIFICATES

THE NATIONAL TREASURY

BANK RECONCILIATION

AS AT JUNE 2022

FINANCIAL SEC-SUPPORT PROJECT

A/C 1000237872	Sh.	Sh.
Balance as per Bank Certificate		101,196,951.75
Less -----		
1. Payments in Cash Book not yet recorded in Bank Statement	-	
2. Receipts in Bank Statement not yet recorded in Cash book	-	-
Add -----		
3. Payment in Bank Statement not yet recorded in Cash Book	0.00	
4 Receipts in Cash Book not yet Recorded in Bank Statement .	-	-
		101,196,951.75

I certify that I have verified the Bank balance in the cash Book with the bank Statement
and that the above reconciliation is correct.

HAU NATIONAL
TREASURY

Signature

Designation

Date

							SIGN
prepared by		C.N.KARWENI			8/17/2022		

COPY TO
1 INTERNAL AUDITOR
2 AUDITOR GENERAL
3 DGA & QA

FINANCIAL SECTOR SUPPORT PROJECT
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2022

25	26/07/2022	26/07/2022	FT22207N037C	Outward RTGS Payment MT 103	129,450.60	0.00	101,196,951.75
				0050003687			
				THE NATIONAL TREASURY 9999999			
				SAFARI COM LIMITED			
				0050003687			
				STD300002300568			
Totals					5,180,494.20	0.00	
Closing Balance							101,196,951.75

**FINANCIAL SECTOR SUPPORT PROJECT
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2022**

**FINANCIAL SECTOR SUPPORT PROJECT
STATEMENT OF SPECIAL (DESIGNATED) ACCOUNT RECONCILIATION
FOR THE YEAR ENDED 30 JUNE 2022**

Credit No.: IDA LOAN CREDIT NO.56270-KE (DA-A)

Bank Account No.: 1000237937 Held with CENTRAL BANK OF KENYA

		NOTES	AMOUNT USD	AMOUNT USD
1	Amount advanced by IDA			21,974,251.05
	Less:			
2	Total amount documented			17,974,251.06
3	Outstanding amount to be documented			3,999,999.99
	Represented by:			
4	Ending Special account Balance as as 30 June 2022			78,151.05
5	Amounts claimed but not credited as at 30 June 2022			
6	Amounts withdrawn and not claimed			3,921,848.94
7	Service Charges (if not included in lines 5 and 6 above)			-
8	Interest earned (if included in Special Account)			-
9	Total advance to Special Account Year ended 30 June 2022			3,999,999.99

Discrepancy between total appearing on line 3 and 9

Notes:

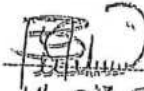
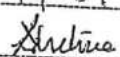
- 1 Explain the discrepancy between totals appearing on lines 3 and 9 above (e.g amount due to be refunded to cover ineligible expenditures paid from the Special/Designated Account)
- 2 Indicate if amount appearing on line 6 is eligible for financing by IDA and provide reasons for not claiming the expenditures

[Signature]

AUTHORISED REPRESENTATIVE
RESOURCE MOBILISATION DEPARTMENT
THE NATIONAL TREASURY

DATE: 01/08/2022

FINANCIAL SECTOR SUPPORT PROJECT
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2022

SPECIAL ACCOUNT STATEMENT	
For period ending	30th JUNE, 2022
Account No.	1000237937
Depository Bank	CENTRAL BANK OF KENYA.
Address	CENTRAL BANK OF KENYA.
Related Loan	FINANCIAL SECT SUPPORT PRJ-5627 KE
Credit Agreement	
Currency	USD
Part A - Account Activity	
Beginning balance of 1st July, 2021 as per C.B.K. Ledger Account	1,024,648.56
Add:	
Total Amount deposited by World Bank	1,453,502.49
Total Interest earnings if deposited in account	
Total amount refunded to cover ineligible expenditure	
Deduct:	
Total amount withdrawn	2,400,000.00
Total service charges if not included above in amount withdrawn	
Ending balance on 30th June, 2022	78,151.05
AUTHORISED REPRESENTATIVE CENTRAL BANK OF KENYA	SIGNATURE: 
AUTHORISED REPRESENTATIVE EXTERNAL RESOURCES DEPARTMENT-TREASURY	DATE: 14-07-2022
	SIGNATURE: 
	DATE: 01/08/2022

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.

**FINANCIAL SECTOR SUPPORT PROJECT
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2022**
