

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

**DATE:** 12 APR 2023

DAY.

wed

TABLED

BY:

Deputy LHM  
Hon. Owen Bagg

**OF**

CLERK-AT  
THE-TABLE:

Mudo

**THE AUDITOR-GENERAL**

**ON**

**KENYA PRIMARY EDUCATION  
DEVELOPMENT PROJECT  
(GRANT NO. TFO18863)**

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

**STATE DEPARTMENT FOR EARLY  
LEARNING AND BASIC EDUCATION**







**Project Name: KENYA PRIMARY EDUCATION DEVELOPMENT PROJECT**

**Implementing Entity: STATE DEPARTMENT FOR EARLY LEARNING & BASIC  
EDUCATION**

**PROJECT GRANT ID: P146797  
CREDIT NUMBER: TFOI8863 AND TFB0830**

---

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**30 JUNE, 2022**

---

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





## **TABLE CONTENTS**

1.	PROJECT INFORMATION AND OVERALL PERFORMANCE .....	ii
2.	STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES .....	x
3.	CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING.....	xii
4.	STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES .....	xiii
6.	REPORT OF THE INDENDENT AUDITOR ON THE PRIEDE PROJECT .....	xiv
7.	STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2022.....	1
8.	STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2022.....	2
9	STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2022 .....	3
10.	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	5
	FOR THE YEAR ENDED 30 JUNE 2022.....	5
11.	SIGNIFICANT ACCOUNTING POLICIES .....	6
12.	NOTES TO THE FINANCIAL STATEMENTS .....	14
13.	PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS .....	25
15.	ANNEXES.....	28



**1. PROJECT INFORMATION AND OVERALL PERFORMANCE**

**1.1 Name and registered office**

**Name**

The project's official name is Kenya Primary Education Development Project (PRIEDE).

**Objective**

The key objective of the project is to improve early grade mathematics competency and to strengthen management systems at school and national levels.

**Address**

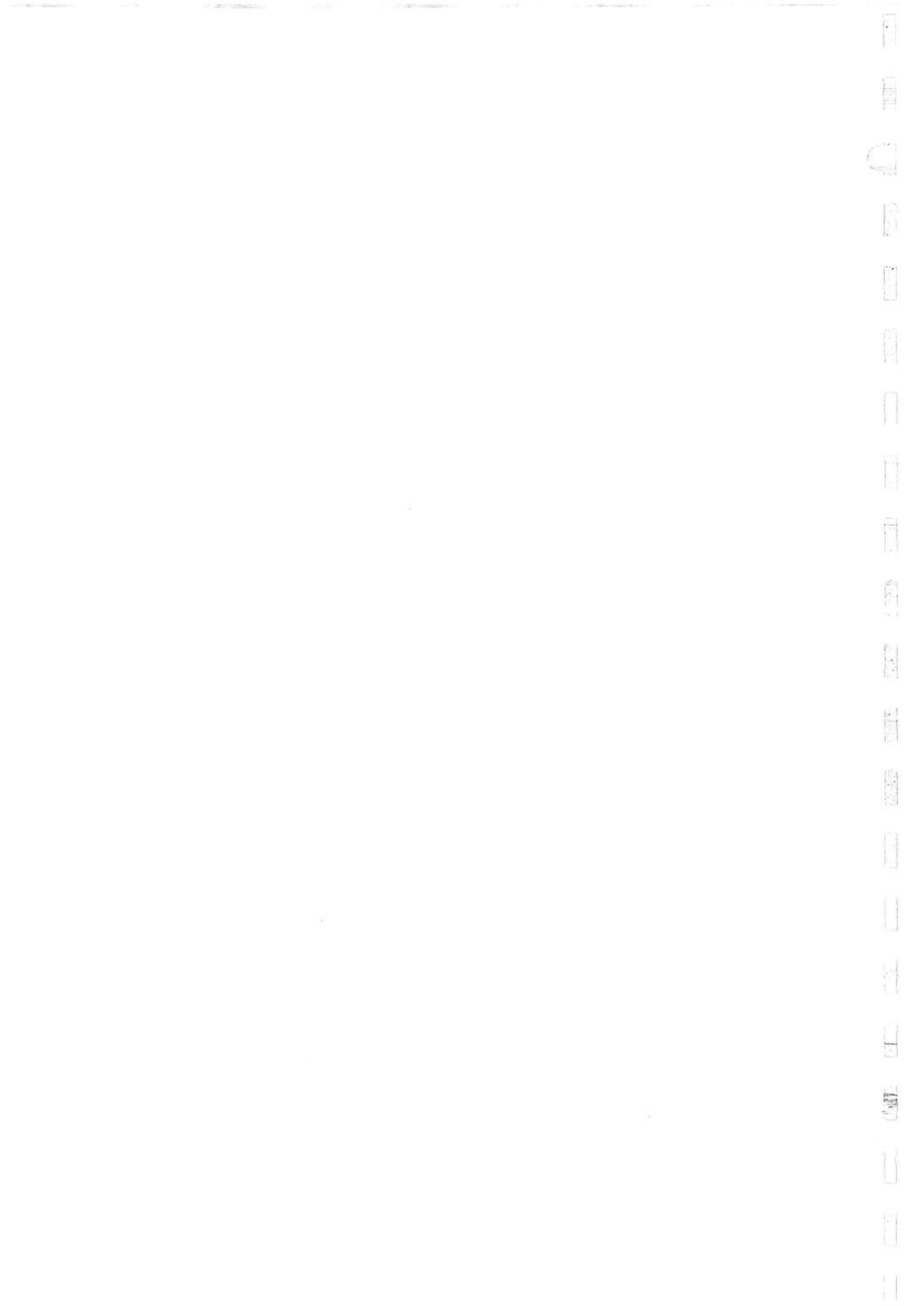
The project headquarters office is located in Nairobi County, Kenya.

The address of its registered office is:

Jogoo House,  
Harambee Avenue,  
Nairobi.

**Contacts:** The following are the project contacts  
P.O Box 30040, 00100  
NAIROBI





## **PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

### **1.2 Project Information**

<b>Project Start Date:</b>	The project start date is 08.07.2015
<b>Project End Date:</b>	The project end date is 31.12.2021
<b>Project Manager:</b>	The project manager is M/S Martha Ekirapa
<b>Project Sponsor:</b>	The project sponsor is International Development Association, Global Partners of Education and Government of Kenya which will contribute 10% of the entire grant of USD 97.875M

### **1.3 Project Overview**

Line Ministry/State Department of the project	The project is under the supervision of State Department for Early Learning & Basic Education.
Project number	P146797
Strategic goals of the project	The strategic goals of the project are as follows: (i) The project activities are aligned with the Government's strategic objective of providing quality basic education for Kenya's sustainable development
Achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Improvement in basic mathematics competency level of Grade 2 pupils (ii) Number of participating schools completing top two priorities of School Improvement Plans (SIP) (iii) EMIS data for primary education published annually from 2016 (iv) NASMLA for standard 3 pupils conducted and disseminated in 2015 and 2018
Other important background information of the project	The project has completed its third year of implementation
Current situation that the project was	The project was formed to intervene in the following areas:





formed to intervene	(i) Improving early grade learning competencies (ii) Strengthening systems at schools and national levels for improving primary education service delivery
Project duration	The project started on 8 July 2015 and ended on 31 December 2021.



**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**1.4 Bankers**

The following are the bankers for the current year:

- (i) Designated account: Central Bank of Kenya  
Head Office, Haile Selassie  
Account No. 1000241349

Central Bank of Kenya  
Head Office, Haile Selassie  
Account No. 1000241322

Central Bank of Kenya  
Head Office, Haile Selassie  
Account No. 1000449788

- (ii) Project Accounts: Central Bank of Kenya  
Haile Selassie  
Account No. 1000307404

Central Bank of Kenya  
Haile Selassie  
Account No. 1000307398

Central Bank of Kenya  
Haile Selassie  
Account No. 1000307412

Central Bank of Kenya  
Haile Selassie  
Account No. 1000465069

**1.5 Auditors:**

The project is audited by the:

Auditor-General  
Anniversary Towers, University Way  
P.O. Box 30084  
Nairobi





## **1.6 Roles and Responsibilities**

List the different people who will be working on the project. This list would include the project manager and all the key stakeholders who will be involved with the project. Also, record their role, their positions, and their contact information.

<b>Names</b>	<b>Title designation</b>	<b>Key qualification</b>	<b>Responsibilities</b>
Martha Ekirapa	Project Coordinator	Educationist	Overall programme coordination.
Hellen Boruett	Head of Component 1	Educationist	Management of component 1 activities
Peter Gachathi	Head of Component 2	Educationist	Management of component 2 activities
Sebastian Owanga	Head of Component 3	Educationist	Management of component 3 activities
Bartholomew Lumbasi	Head of Component 4	Educationist	Management of 4 component activities





## PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

### 1.7 Funding summary

The Project duration is five years (from 2015 to 2021) with an approved budget of US\$ 97.875 Million (use donor currency) equivalent to KES 9.7875 Billion at the exchange rate of 1USD=KES102.471383 as highlighted in the table below;  
Below is the funding summary:

#### A. Source of Funds

The Project duration is five years (from 2015 to 2021) with an approved budget of US\$ 97.875 Million (use donor currency) equivalent to KES 9.7875 Billion at the exchange rate of 1USD=KES102.471383 as highlighted in the table below;

Source of funds	Donor Commitment-		Amount received to date(30 06 2022)		Undrawn balance to date (30 06 2022)	
	Donor currency(USD) (A)	Kshs (A')	Donor currency(USD) (B)	Kshs (B')	Donor currency(USD) (A)-(B)	Kshs (A')-(B')
(i) Grant						
Category 1-IDA	67,875,000	6,955,245,121	67,801,967.75	6,947,761,405	73,032.25	7,483,716
Category 2-GPE	30,000,000	3,067,524,093	30,000,000	3,067,524,093	-	-
Sub Totals	97,875,000	10,022,769,214	97,801,967.75	10,015,285,498	73,032.25	7,483,716
(iii) Counterpart funds (10%)						
Government of Kenya	8,840,000	903,817,539	1,800,064	183,036,399	7,039,936	720,781,140
Total	106,715,000	10,926,586,753	99,602,031.75	10,198,321,897	7,112,968.25	728,264,856

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
61  
62  
63  
64  
65  
66  
67  
68  
69  
70  
71  
72  
73  
74  
75  
76  
77  
78  
79  
80  
81  
82  
83  
84  
85  
86  
87  
88  
89  
90  
91  
92  
93  
94  
95  
96  
97  
98  
99  
100

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

B. Application of Funds

Application of funds	Amount received to date – (30 <sup>th</sup> June 2022)		Cumulative Amount paid to date – (30 <sup>th</sup> June 2022)		Unutilised balance to date (30 <sup>th</sup> June 2022)	
	Donor currency	Kshs	Donor currency	Kshs	Donor currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
GPE	97,801,967.29	10,015,285,498		9,627,528,748	73,032.71	387,756,750
(i) Counterpart funds						
Government of Kenya	1,800,064	183,036,399		183,036,399	-	-
<b>Total</b>	<b>99,602,031.29</b>	<b>10,198,321,897</b>		<b>9,810,565,147</b>	<b>73,032.71</b>	<b>387,756,750</b>



**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**1.8 Summary of Overall Project Performance:**

Budget performance against actual amounts for current year was only 73 percent. Cumulatively, the disbursement is relatively at 98 percent and actual expenditure of 91 percent compared to the project remaining life which is now 6 months

<b>result</b>	<b>Progress</b>
<b>Component 1</b>	
<b>Key result</b> Improvement of early grade mathematics competency	Developed the School Based Teacher Support (SBTS) operationalization manual for Grade 1, 2 & 3. Supported KICD in the development of the Diploma Primary Teacher Education (PTE)Curriculum designs under CBC framework for SNE&D
<b>Component 2</b>	
<b>Key result</b> Strengthening school management and accountability	Annual Schools Audit, Training of Head teachers and BOM on financial management, Documentary of SIP good practices, Appraisal of teachers under TPAD is ongoing and helping improve teacher's management.
<b>Component 3</b>	
<b>Key result</b> Strengthening capacity for evidence-based policy development at national level.	NESSP report finalised, Education sector analysis report finalised, NHIF and SFDE utilising NEMIS data for capitation, Capacity building of Education officers on NEMIS, MLA studies undertaken for pupils in class 3 and 7.
<b>Component 4</b>	
<b>Key result</b> Project Coordination, Communication, Monitoring and Evaluation	We undertook capacity building of RDE, CDEs, both MOE and TSC and CPCs, Hosted the GPE annual meeting, Implementation Support Mission in march, Internal Financial audit, Preparation of virtual Implementation Mission

**1.9 Summary of Project Compliance:**

- i) The project has complied fully with the financing agreement with the IDA in terms of utilization of donor funds.

1. The first part of the document is a list of the names of the persons who have been appointed to the various offices of the government. The names are listed in alphabetical order, and each name is followed by the office to which it has been appointed. The list is as follows:

2. The second part of the document is a list of the names of the persons who have been appointed to the various offices of the government. The names are listed in alphabetical order, and each name is followed by the office to which it has been appointed. The list is as follows:

3. The third part of the document is a list of the names of the persons who have been appointed to the various offices of the government. The names are listed in alphabetical order, and each name is followed by the office to which it has been appointed. The list is as follows:

4. The fourth part of the document is a list of the names of the persons who have been appointed to the various offices of the government. The names are listed in alphabetical order, and each name is followed by the office to which it has been appointed. The list is as follows:

5. The fifth part of the document is a list of the names of the persons who have been appointed to the various offices of the government. The names are listed in alphabetical order, and each name is followed by the office to which it has been appointed. The list is as follows:

6. The sixth part of the document is a list of the names of the persons who have been appointed to the various offices of the government. The names are listed in alphabetical order, and each name is followed by the office to which it has been appointed. The list is as follows:

7. The seventh part of the document is a list of the names of the persons who have been appointed to the various offices of the government. The names are listed in alphabetical order, and each name is followed by the office to which it has been appointed. The list is as follows:

8. The eighth part of the document is a list of the names of the persons who have been appointed to the various offices of the government. The names are listed in alphabetical order, and each name is followed by the office to which it has been appointed. The list is as follows:

9. The ninth part of the document is a list of the names of the persons who have been appointed to the various offices of the government. The names are listed in alphabetical order, and each name is followed by the office to which it has been appointed. The list is as follows:

10. The tenth part of the document is a list of the names of the persons who have been appointed to the various offices of the government. The names are listed in alphabetical order, and each name is followed by the office to which it has been appointed. The list is as follows:

## **2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES**

PRIEDE Project aims at improving Early Grade Mathematics (EGM) Competency and Strengthening Management Systems at School and National levels. The parent Project estimated to cost KShs 9,724,000,000 is funded jointly by GPE at KShs. 8, 840,000,000 and GOK- KShs. 884,000,000. In FY 2019/2020 the project received additional financing (AF) from the GPE to the tune of Ksh. 975, 000,000. The grant has enabled achievement of pupil/text book ratio of 1:1 in Mathematics for grade 1 and 2 as a result of distribution of 10 Million, five hundred thirty-nine thousand and seventy-three (10,539,073) books to pupils in grade 1 & 2 in public schools, as at June 15th, 2019. EGM books distributed in FY 2018/2019 were reviewed and aligned to CBC. Out of the distributed EGM books 21, 987 were adapted to suit special needs learners in the areas of Hearing Impaired (HI), Physically Impaired (PI), Low Vision (LV) and Totally Blind (TB). During the period under review an average of 102,000 Early Grade teachers were trained on EGM methodologies in alignment to Competency Based Curriculum (CBC). Curriculum support officers (CSOs) facilitated the provision of pedagogical support to the teachers through lesson observations, with a cumulative of 31,803 observation done as at 30<sup>th</sup> June 2019. The End Line Early Grade Mathematics Assessment (EGMA) study was conducted during the period, which revealed that percentage of grade 2 learners achieving 50% benchmark in subtraction improved with 2.8% as compared to the Baseline study. Also during the period under review the project supported KICD to develop the PTE curriculum designs as well as adapt the same for learners with special needs. To consolidate the gains achieved from the project in learning of Mathematics at Early Grade, a manual was developed to guide on the roll out of School Based Teacher Support (SBTS) initiative.

In order to strengthen school management systems during the period under review, the project facilitated training for head teachers and five BOM members from the 4000 target SIP schools on preparation of school improvement plans and management of school resources. Two Hundred and fifty (250) school auditors were also capacity build on risk-based audit approach. The auditors then have been carrying out onsite full-fledged audits in the 4000 SIP schools to establish the accounting and management of resources at school level. The Kenya National Examination Council KNEC carried out KCPE school specific analysis in the years 2013, 2014, 2015, 2016, 2017, 2018 and 2019. The reports for the 4,000 pilot schools were disseminated on the KNEC website. Additionally, the KCPE specific analysis reports for more than 22,000 primary schools were made available on KNEC website ([www.knec.ac.ke](http://www.knec.ac.ke)). The reports provide feedback to schools on the areas of strength and weakness. The reports provide schools with information needed to identify schools' priorities and strategies when developing a School Improvement Plan (SIP) with aim of improving on the learning achievement. In addition, the project supported TSC to carry out regular teacher appraisals using the TPAD system which enhanced instructional supervision among head teachers, CSOs, TSC field officers and this resulted in improved teacher preparation and increased pupil/teacher contact. The TPAD tools have been reviewed. Also, hardware and software infrastructure to support the online system at National and County levels procured. Based on the satisfactory SIPs, the Ministry disbursed KShs. 500,000 (1st Tranche KShs.



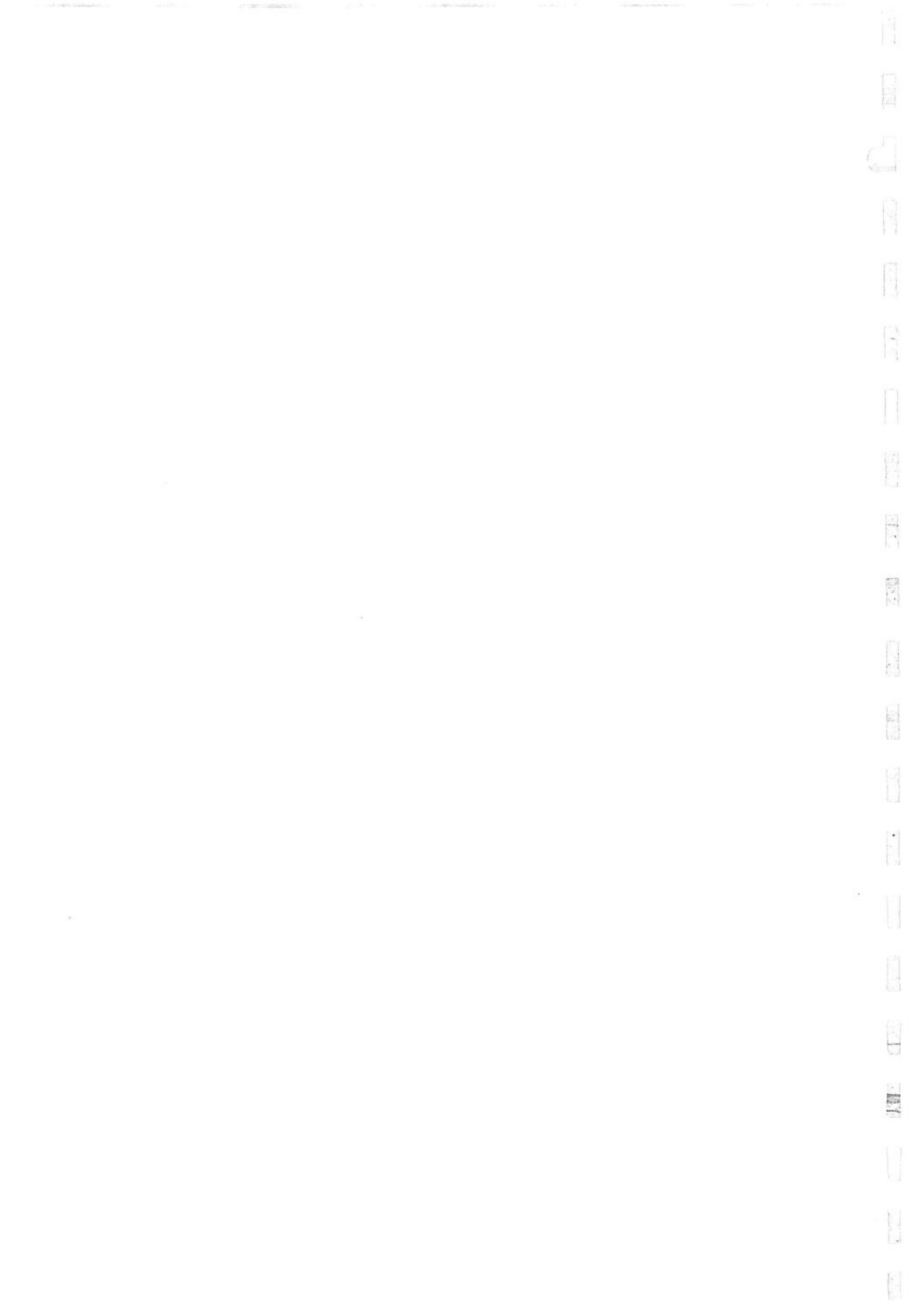


300,000 & 2nd Tranche 200,000) to each of the 4000 target schools, totalling to KShs. 2 Billion. All the 4,000 (100 %) SIP schools reported to have completed utilizing the grant on implementing the identified top priorities. This enabled provision of supplementary text books benefiting a total of 1,934, 583 pupils in classes 3-8 and a total of 34,737 teachers. The grant has also enabled improvement of learning environment through renovation of classrooms, sanitary facilities and water harvesting in the schools. As a result, most of the schools recorded a positive deviation in 2017, 2018 and 2019 KCPE, implying that improved governance, management, and accountability systems at school level had proportionate positive influence on achievement of learning outcomes. Full-fledged audit of the 4,000 SIP schools was conducted. From the good practices emanating from the SIP process, Policy Guidelines and a simplified operational manual on management of learners' capitation grants and other school funds was developed.

During the period under review, the project facilitated development of National Education Management Information System (NEMIS), a one stop centres for education data that is authentic and reliable in real time. This is key in policy development and decision making as it guides resource allocation, monitoring usage and promoting prudent utilization. Data collection exercise using NEMIS system developed started on 23rd January 2018 and is ongoing.

KNEC conducted studies to monitor learning which included: NASMLA class 3 studies (2016 & 2018), MLA form 2 (2018) and NASMLA class 7 (2019). The project also supported the development of the NESSP (2018-2022) and the ESA. A draft statistical booklet for 2017, 2018 and 2019 has been compiled. The project has also been supporting the conduct of education quality dialogues across the country, forums where reports on learning achievements from various studies are disseminated, stakeholders establish issues ailing the learning and identify strategies for improvement. The National Education Quality Assurance and Standards Framework (NEQASF) has been developed. The framework will operationalize the work of the Quality Assurance and Standards Directorate.

During the year under review, capacity building of the Project staff at the MOE Headquarters, Counties, TSC and KNEC was undertaken. This enhances institutional roles for sustainability of the gains realized from the Project implementation.



### **3. CORPORATE SOCIAL RESPONSIBILITY**

#### **STATEMENT/SUSTAINABILITY REPORTING**

The Project is well aligned with the Global Partnership for Education goals of ensuring that all children master basic literacy and numeracy by early grades; and building national systems that have capacity and integrity to deliver, support and assess education quality. Also, the project resources will be targeted more to the most marginalized groups, including schools with children with disabilities, schools in rural and nomadic communities in the Arid and Semi-Arid Lands (ASAL) with low female enrolment as well as schools in urban poor settlements.

#### **1. Sustainability strategy and profile -**

The Project will use Government systems to ensure sustainability of the activities beyond the project life. The Early Grade Mathematics roll out is nation-wide, with all public schools being exposed to the EGM textbooks and teaching methodologies. This will sustain the gains realized.

#### **2. Environmental performance and potentially affected social groups. Various strategies of addressing social issues have been clearly elaborated in the two documents.**

An Environmental and Social Management Framework (ESMF) and VGMF have been prepared in consultation with key stakeholders

#### **3. Employee welfare**

A full-time project coordination unit has been put in place throughout the entire period of the project. This team comprises of Government employees who are facilitated in terms of their welfare by Government. However, for day-to-day operations, the Project caters for it.

#### **4. Market place practices-**

The Project strictly adheres to the GOK and World bank procurement practices and Issues of disclosure of information are strictly followed.

#### **5. Community Engagements-**

The implementation of project activities involved participation of a majority of key education stakeholders. Involvement of parents, Politicians, entire Government leadership has been quite helpful in sustaining the Project gains.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
61  
62  
63  
64  
65  
66  
67  
68  
69  
70  
71  
72  
73  
74  
75  
76  
77  
78  
79  
80  
81  
82  
83  
84  
85  
86  
87  
88  
89  
90  
91  
92  
93  
94  
95  
96  
97  
98  
99  
100

#### **4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES**

The Principal Secretary for the Ministry of State Department of Basic Education and the Project Coordinator for Kenya Primary Education Development Project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on 30 June 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 Ministry of State Department of Basic Education and the Project Coordinator for Kenya Primary Education Development 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 Ministry of State Department of Basic Education and the Project Coordinator for Kenya Primary Education Development Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended 30 June 2022, and of the Project's financial position as at that date. The Principal Secretary for the Ministry of State Department of Basic Education and the Project Coordinator for Kenya Primary Education Development 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.

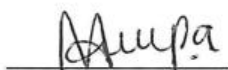
The Principal Secretary for the Ministry of State Department of Basic Education and the Project Coordinator for Kenya Primary Education Development Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

#### **5. APPROVAL OF THE PROJECT FINANCIAL STATEMENTS**

The Project financial statements were approved by the Principal Secretary for the Ministry of State Department of Basic Education and the Project Coordinator for Kenya Primary Education Development Project on 30th SEPTEMBER 2022 and signed by them:



Dr. Julius Jwan  
Principal Secretary



Martha Ekirapa  
Project Coordinator



Fredrick Aoko  
Project Accountant:  
ICPAK Member Number:  
17566





# 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 KENYA PRIMARY EDUCATION DEVELOPMENT PROJECT (GRANT NO. TFO18863) FOR THE YEAR ENDED 30 JUNE, 2022 – STATE DEPARTMENT FOR EARLY LEARNING AND BASIC EDUCATION**

---

### **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 the 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 the intended purpose.
- C. Report on the 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**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kenya Primary Education Development Project set out on pages 1 to 29, which comprise of the statement of financial assets as at 30 June, 2022, the statement of receipts and payments, the



statement of cash flows, and the 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, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Primary Education Development Project as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Cash Basis) and comply with the Grant Agreement No. TF018863 dated 4 June, 2015, and TF0B0830 dated 6 January, 2020 between the Republic of Kenya and the International Development Association (IDA) and the Public Finance Management Act, 2012.

## **Basis for Qualified Opinion**

### **1.0 Failure to Maintain an Updated Assets Register**

Annex 2 to the financial statements - summary of fixed asset register reflects assets with a cumulative historical cost of Kshs.715,138,466. The balance includes assets valued at Kshs.475,353,633 brought forward and additional assets acquired at a cost of Kshs.239,784,833. The register provided for audit was compiled on 6 January, 2017 and is not up-to-date and this may lead to loss of assets not recorded. Further, the assets had not been identified by any tag and therefore the completeness of the record provided could not be verified.

In the circumstances, the accuracy, completeness, ownership, and existence of assets valued at Kshs.715,138,466 could not be confirmed.

### **2.0 Unreconciled Special Account Statement**

The statement of receipt and payments reflects proceeds from domestic and foreign grants of Kshs.783,683,539 as disclosed in Note 12.2 to the financial statements. However, the corresponding account balance reflected in the special account statement is Kshs.783,952,872 made up of Kshs.306,180,000 in respect of Disbursement Linked Indicator designated account, Kshs.283,862,621 in respect of withdrawals and Kshs.193,910,251 in respect of direct payments resulting in an unexplained variance of Kshs.269,333.

In the circumstances, the accuracy and completeness of the proceeds from domestic and foreign grants amounting to Kshs.783,683,539 could not be confirmed.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Primary Education Development Project Management in accordance with ISSAI 130 on the 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 qualified opinion.



## **Emphasis of Matter**

### **Budgetary Control and Performance**

The statement of comparative budget and actual amounts reflects the final expenditure budget and actual on a comparable basis of Kshs.1,538,783,671 and Kshs.1,121,849,455, respectively resulting in an under-expenditure of Kshs.416,934,416 (or 27%) of the budget.

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

### **Key Audit Matters**

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

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**

### **Conclusion**

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

### **Basis for Conclusion**

#### **1.0 Irregularities in the Procurement Procedures**

The statement of receipts and payments as disclosed in Note 12.4 to the financial statement reflects an amount of Kshs.137,764,077 for purchase of goods and services which includes an amount of Kshs.16,721,142 in respect of hospitality services. However, review of expenditure on hospitality services revealed that Local Purchase Orders (LPOs) were issued after invoicing in the following instances: -

- i. The Project Management paid Kshs.1,490,000 through payment voucher No.831. Review of the supporting local purchase order revealed that the LPO is dated 7 December, 2021 while the Invoice No. 3324 is dated 3 December, 2021;
- ii. The Project Management paid Kshs.618,000 through payment voucher No. 321. Review of the supporting local purchase order revealed that the LPO is dated 14 October, 2021 while the Invoice No. 2101 is dated 1 October, 2021;
- iii. The Project Management paid Kshs.1,233,000 through payment voucher No. 834. Review of the supporting local purchase order revealed that the LPO is dated 7 December, 2021 while the Invoice No. 3276 is dated 25 November, 2021;
- iv. The Project Management paid Kshs.303,000 through payment voucher No. 830. However, the Local Purchase Order was dated 22 December, 2021 while Invoice No. 2245 of the same amount was dated 15 December, 2021;

- v. The Project Management paid Kshs.78,000 through payment voucher No. 847 against a Local Purchase Order 1812838 dated 25 December, 2021 while Invoice No. INV190000001577 of the same amount was dated 30 November, 2021;
- vi. The Project Management paid Kshs.579,000 through payment voucher No. 849 of against Local Purchase Order 1812842 dated 29 December, 2021 while Invoice No. INV190000001615 of the same amount was dated 20 December, 2021;
- vii. The Project Management paid Kshs.579,000 through payment voucher No. 832 against Local Purchase Order 1812837 dated 22 December, 2021 while Invoice No. 2229 of the same amount was dated 2 December, 2021; and,
- viii. The Project Management incurred an expenditure of Kshs.576,000 on the procurement of airtime for GPE/PRIEDE Project Coordination Unit (PCU) staff for the month of October to December, 2021. This was made against a Local Purchase Order (LPO) No. 3756157 dated 31 December, 2021 while the invoice was dated 30 December, 2021 a day before the LPO was issued.

In the circumstances, the regularity of the expenditure of Kshs.5,456,000 in respect of hospitality services could not be confirmed.

## **2.0 Unsurrendered Project Assets**

The Project ended on 31 December, 2021. However, the Project Management had not prepared the statement of assets for handing over to the Accounting Officer ten (10) months after the closure of the project. This has been caused partly by the failure to maintain an updated asset register. This is contrary to Regulation 74(6) of the Public Finance Management (National Government) Regulations, 2015 which stipulates; an Accounting Officer of a National Government entity shall ensure that whenever projects are completed, the project assets including buildings, plant, motor vehicles, furniture, fitting, and equipment are properly recorded and handed over to the accounting officer in accordance with the financing agreement. Further, the Regulation provides that when no time frame is provided for the project, the assets are handed over within three (3) months from the date of closure of the project; and in absence of any instructions to the contrary, any unexpended balance standing in the credit of the projects is paid into the Consolidated Fund.

In the circumstances, the Project Management was in breach of the law and risk loss of assets.

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 THE 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 controls, 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 Financing Agreement between the International Development Association and the Government of the Republic of Kenya, I report based on my audit, that:

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

### Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal 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 controls, risk management and overall governance.

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the



activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with Governance are responsible for overseeing the Project's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to 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 of Kenya. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls 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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with 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 controls.
- 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 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 controls 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**

**08 December, 2022**





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

	Note	2021/2022			2020/2021			Cumulative to-date (From inception)
		Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payment controlled by the entity	Payments made by third parties	Total	
		KShs	KShs	KShs	KShs	KShs	KShs	KShs
<b>RECEIPTS</b>								
Transfer from Government entities	12.1	-	-	-	-	-	-	183,036,399
Proceeds from domestic and foreign grants	12.2	589,773,288	193,910,251	783,683,539	764,770,270	-	764,770,270	10,015,285,498
Miscellaneous receipts	12.3	-	-	-	1,870,226	-	1,870,226	471,158,973
<b>TOTAL RECEIPTS</b>		589,773,288	193,910,251	783,683,539	766,640,496	-	766,640,496	10,669,480,870
<b>PAYMENTS</b>								
Purchase of goods and services	12.4	137,764,076	-	137,764,076	167,647,109	-	167,647,109	2,375,145,121
Acquisition of non-financial assets	12.5	45,874,582	193,910,251	239,784,833	5,384,343	-	5,384,343	715,138,466
Transfers to other government entities	12.6	744,300,546	-	744,300,546	593,047,318	-	593,047,318	5,190,803,846
Other grants and transfers and payments	12.7	-	-	-	-	-	-	1,999,800,000
<b>TOTAL PAYMENTS</b>		927,939,204	193,910,251	1,121,849,455	766,078,770	-	766,078,770	10,280,887,433
<b>SURPLUS/ (DEFICIT)</b>		(338,165,916)	-	(338,165,916)	561,726	-	561,726	388,593,437

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



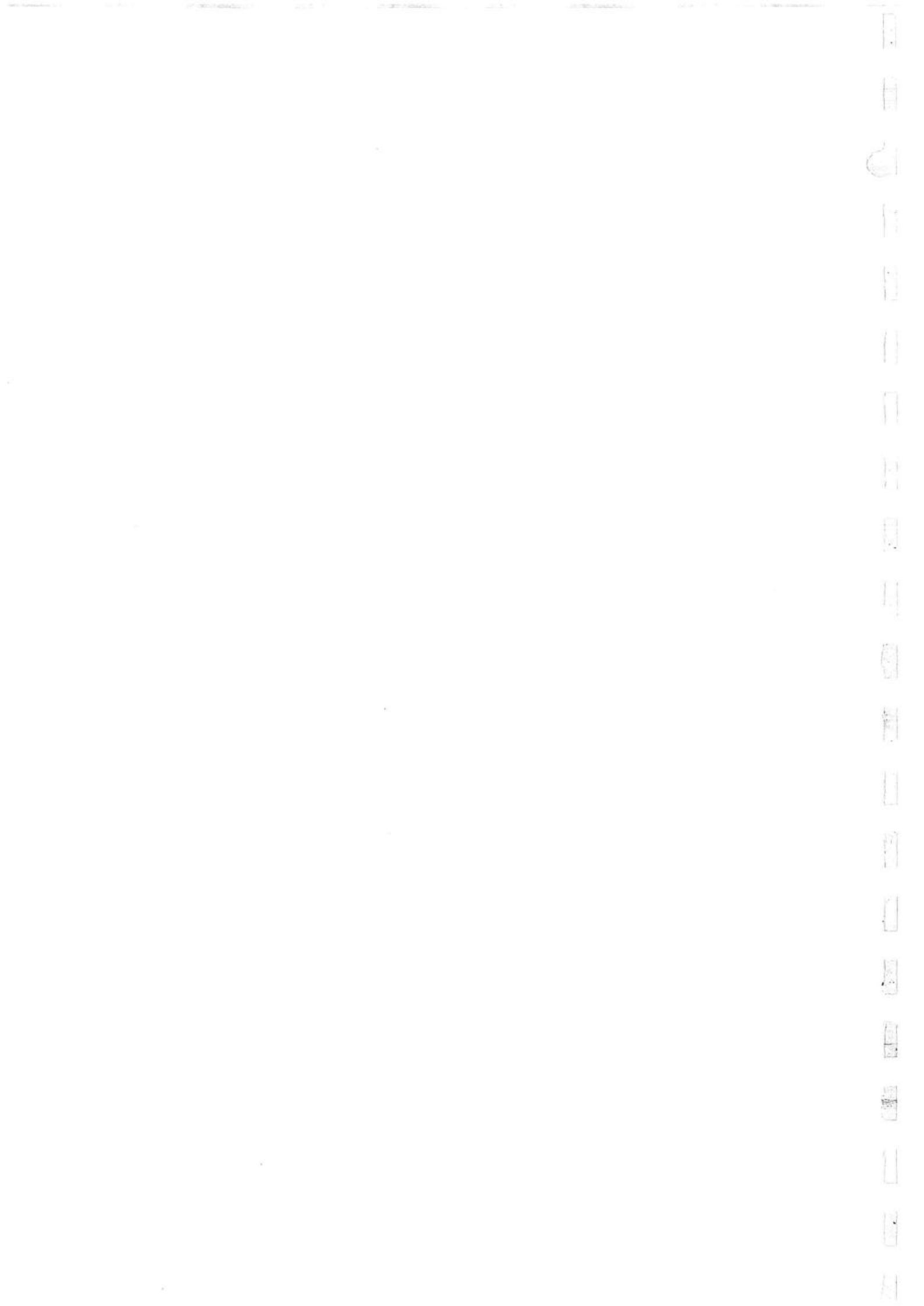
Dr. Julius Jwan  
Principal Secretary



Martha Ekirapa  
Project Coordinator



Fredrick Aoko  
Project Accountant:  
ICPAK Member Number: 17566





8. STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2022

	Note	FY 2021/22 Kshs	FY 2020/21 Kshs
<b>FINANCIAL ASSETS</b>			
Bank Balances	12.8A	286,406	617,065,918
			-
<b>Total Cash and Cash equivalents</b>		<b>286,406</b>	<b>617,065,918</b>
Outstanding Imprests & Advances	12.8B	-	109,693,435
<b>TOTAL FINANCIAL ASSETS</b>		<b>286,406</b>	<b>726,759,353</b>
Fund balance b/fwd	12.9	322,589,764	736,976,165
Surplus / (deficit) for the year		(338,165,916)	561,726
Prior Year Adjustment	12.10	15,862,558	(10,778,538)
<b>NET FINANCIAL POSITION</b>		<b>286,406</b>	<b>726,759,353</b>

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



Dr. Julius Jwan

Principal Secretary



Martha Ekirapa

Project Coordinator



Fredrick Aoko

Project Accountant:

ICPAK Member Number:

17566



**9. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2022**

	Note	2021 - 2022 Kshs	FY 2020/21 Kshs
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts for operating income			
Receipts from Government of Kenya	12.1		-
Proceeds from Domestic and Foreign Grants	12.2	783,683,539	764,770,270
Miscellaneous Receipts	12.3	-	1,870,226
		783,683,539	766,640,496
<b>Payments for operating expenses</b>			
Use of goods and services	12.4	(137,764,076)	(167,647,109)
Transfers to Other Government Entities	12.6	(744,300,546)	(593,047,318)
		(882,064,622)	(760,694,427)
<b>Adjusted for:</b>			
Change in Imprests & Advances		109,693,435	(68,003,930)
Adjustments during the year	12.10	15,862,558	(10,778,538)
Transfer to GPE and Treasury		(404,169,589)	-
Net cash flow from operating activities		(376,994,679)	(72,836,399)
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Non-financial Assets	12.5	(239,784,833)	(5,384,343)
Net cash flows from Investing Activities		(239,784,833)	(5,384,343)
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		(616,779,512)	(78,220,742)
Cash and cash equivalent at BEGINNING of the year	12.8A	617,065,918	695,286,660
Cash and cash equivalent at END of the year		286,406	617,065,918



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



Dr. Julius Jwan  
Principal Secretary



Martha Ekirapa  
Project Coordinator



Fredrick Aoko  
Project Accountant:  
ICPAK Member Number:  
17566



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

Consolidated	Original Budget	Adjustments	Final Budget	Actual Comparable Basis	Utilisation Variance	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>Receipts</b>						
Proceeds from Domestic and Foreign Grants	100,000,000	1,438,783,671	1,538,783,671	783,683,539	755,100,132	51%
<b>Total Receipts</b>	100,000,000	1,438,783,671	1,538,783,671	783,683,539	755,100,132	
<b>Payments</b>						
Use of goods and services	100,000,000	317,031,120	417,031,120	137,764,076	279,267,044	33%
Acquisition of Non-financial Assets	-	239,784,833	239,784,833	239,784,833	-	
Transfers to Other Government Entities	-	881,967,718	881,967,718	744,300,546	137,667,172	84%
Other Grants and Other Payments						
<b>Total Payments</b>	100,000,000	1,438,783,671	1,538,783,671	1,121,849,455	416,934,416	73%

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



Dr. Julius Jwan

Principal Secretary



Martha Ekirapa

Project Coordinator

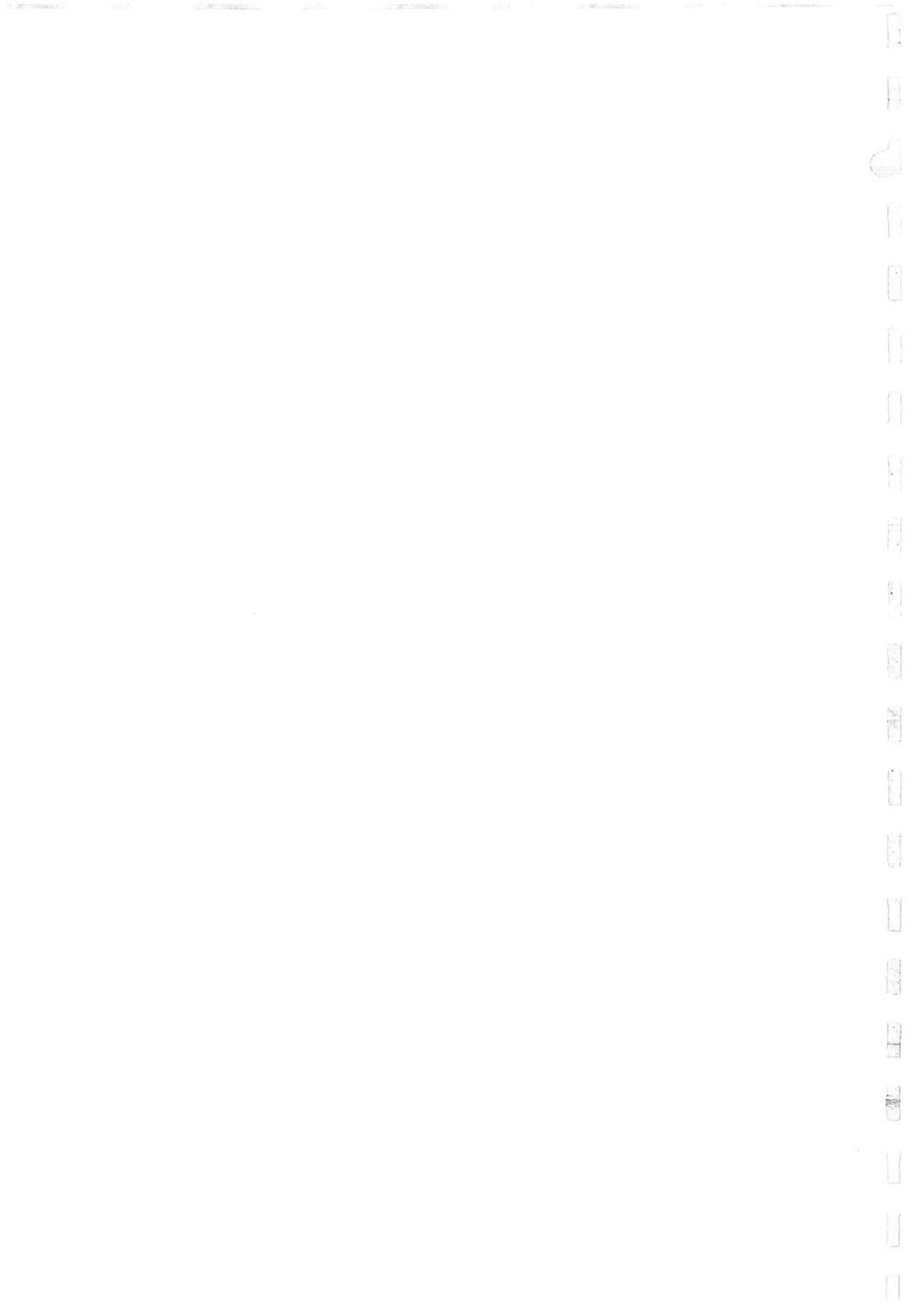


Fredrick Aoko

Project Accountant:

ICPAK Member Number:

17566





## **11.SIGNIFICANT ACCOUNTING POLICIES**

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

### **11.1 Basis of Preparation**

#### **11.2 Statement of compliance and basis of preparation**

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

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

### **11.3 Reporting entity**

The financial statements are for the PRIEDE Project under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

#### **11.3.1 Reporting currency**

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



#### **11.4 Significant Accounting Policies**

##### **a) Recognition of receipts**

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

##### **i) Transfers from the Exchequer**

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

##### **ii) External Assistance**

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

##### **iii) Other receipts**

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

##### **b) Donations and grants**

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



**Significant Accounting Policies (Continued)**

**c) Proceeds from borrowing**

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

**d) Undrawn external assistance**

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their 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

**e) Recognition of payments**

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

**i) Compensation of employees**

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

**ii) Use of goods and services**

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



**Significant Accounting Policies (Continued)**

**iii) Interest on borrowing**

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

**iv) Repayment of borrowing (principal amount)**

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

**v) Acquisition of fixed assets**

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

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

**f) In-kind donations**

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





## **Significant Accounting Policies (Continued)**

### **g) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank

account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

### **Restriction on cash**

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

### **h) Accounts receivable**

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



## **Significant Accounting Policies (Continued)**

### **i) Contingent Liabilities**

A contingent liability is:

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

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

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

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

### **j) Contingent Assets**

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

## **Significant Accounting Policies (Continued)**

### **k) Pending bills**



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

#### **l) Budget**

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

A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

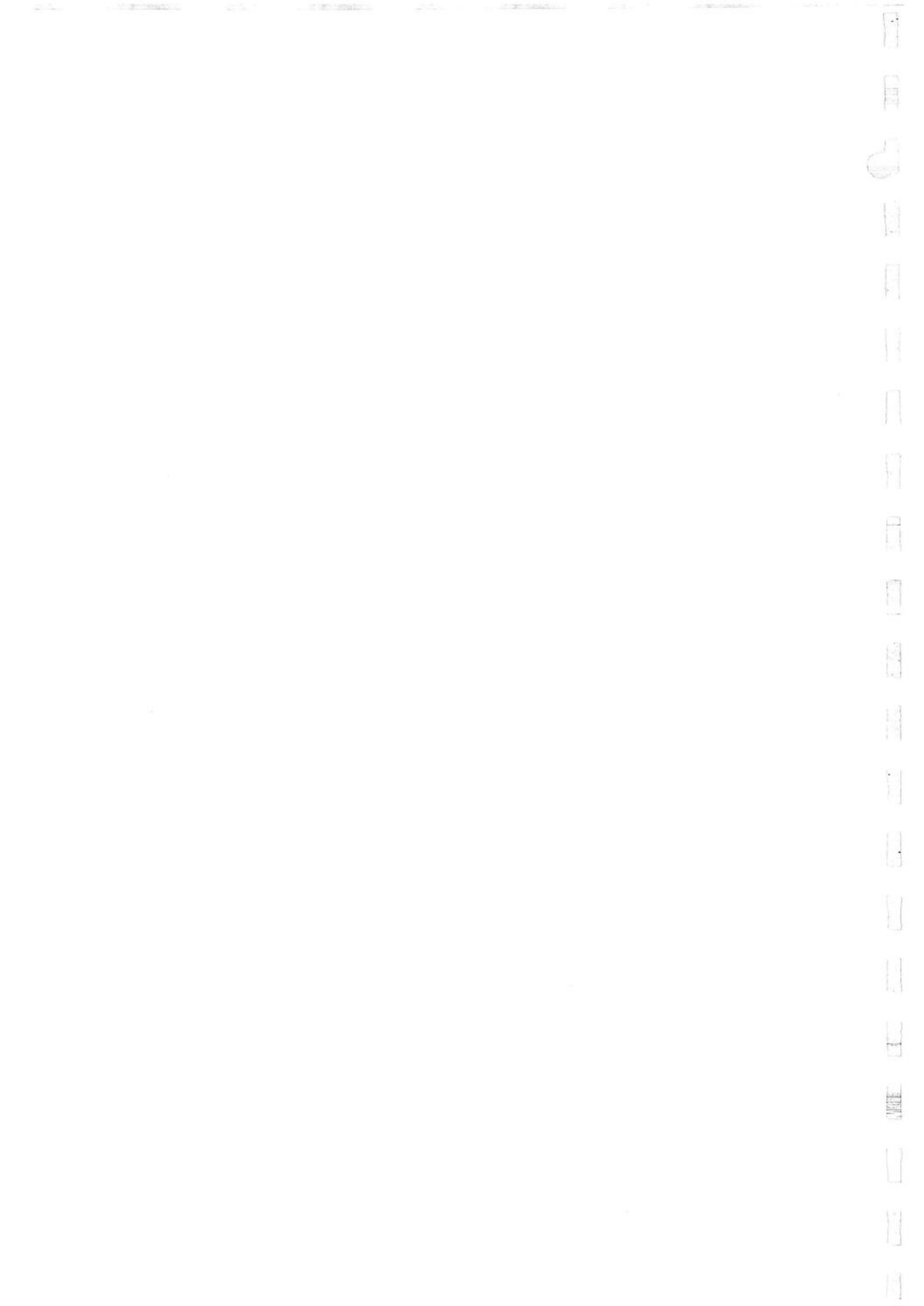
#### **m) Third party payments**

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

#### **Significant Accounting Policies (Continued)**

#### **n) Exchange rate differences**





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

**o) Comparative figures**

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

**p) Subsequent events**

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

**q) Errors**

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



## **12.0. NOTES TO THE FINANCIAL STATEMENTS**

### **12.1 RECEIPTS FROM GOVERNMENT OF KENYA**

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

	<b>2021/22</b>	<b>2020/21</b>	<b>Cumulative to Date</b>	<b>Cumulative Prior Year</b>
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<i>Counterpart funding through State Department for Basic Education</i>				
Counterpart funds	-	-	183,036,399	183,036,399
<i>Other transfers from government entities</i>			-	-
	<u>-</u>	<u>-</u>	<u>183,036,399</u>	<u>183,036,399</u>





**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**12.2 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS**

During the 12 months to 30 June 2022, we received grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants Received as direct payment*	Grants in kind	Total amount in KShs	
						FY 2021/22	FY 2020/21
			KShs	KShs	KShs	KShs	KShs
<b>Grants Received from Partners of Education</b>							
GPE-Category 1			589,773,288	193,910,251		783,683,539	700,598,036
							-
GPE-Category 2			-		-		64,172,234
<b>Total</b>			<b>589,773,288</b>	<b>193,910,251</b>		<b>783,683,539</b>	<b>764,770,270</b>

\* The direct payment grants represent payments for goods and services done directly by the donor on behalf of the project. Project Coordinator should ensure that the adequate documents and support document is requested from the donors to support this grant.



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**12.3 MISCELLANEOUS RECEIPTS**

			TOTAL RECEIPTS		Cumulative to- date	Cumulative Prior Year
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	FY 2021/22	FY 2020/21		
	KShs	KShs	KShs	KShs	KShs	KShs
Cash deposits					3,288,173	3,288,173
Net cashbook Adjustments					3,490,539	3,490,539
Other counties Refunds					4,966,388	4,966,388
Counties Refund				1,870,226	459,413,873	459,413,873
	=		=	<u>1,870,226</u>	<u>471,158,973</u>	<u>471,158,973</u>



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 12.4 PURCHASE OF GOODS AND SERVICES

			Total Payments		Cumulative to- date	Cumulative Prior Year
	Payments made by the Entity in Cash	Payments made by third parties	FY 2021/22	FY 2020/21		
	KShs	KShs	KShs	KShs	KShs	KShs
Utilities, supplies and services					101,906,451	101,906,451
Communication, supplies and services	1,122,000		1,122,000	2,236,000	15,859,698	14,737,698
Domestic travel and subsistence	49,420,331		49,420,331	44,871,525	377,978,517	328,558,186
Foreign travel and subsistence	414,258		414,258	24,677,735	73,656,021	73,241,763
Printing, advertising and information supplies & services	15,238,119		15,238,119	20,644,783	1,000,007,513	984,769,394
Training expenses				29,015,540	112,334,713	112,334,713
Hospitality supplies and services	16,721,142		16,721,142	4,814,339	49,346,633	32,625,491
Transfer to Foreign affairs				-	2,377,593	2,377,593
Other operating expenses - flights	1,162,080		1,162,080	187,100	6,742,330	5,580,250
Routine maintenance – vehicles and other ICT equipment	1,021,158		1,021,158	3,600,087	59,457,233	58,436,075
Consultancy services: – Technical and professional services	52,664,989		52,664,989	37,600,000	575,478,420	522,813,431
<b>Total</b>	<b><u>137,764,077</u></b>	<b>=</b>	<b><u>137,764,077</u></b>	<b><u>167,647,109</u></b>	<b><u>2,375,145,122</u></b>	<b><u>2,237,381,045</u></b>





**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**12.5 ACQUISITION OF NON-FINANCIAL ASSETS**

			Total Payments		Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	FY 2021/22	FY 2020/21	
	KShs	KShs	KShs	KShs	KShs
Purchase of vehicles & other transport equipment			-	-	22,440,720
ICT Equipment, software and ICT asset	45,874,582	193,910,251	239,784,833	5,384,343	665,196,059
Purchase of office furniture & general equipment			-		27,501,687
Acquisition of other intangible assets			-	-	-
<b>Total</b>	<b><u>45,874,582</u></b>	<b><u>193,910,251</u></b>	<b><u>239,784,833</u></b>	<b><u>5,384,343</u></b>	<b><u>715,138,466</u></b>



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**12.6 TRANSFERS TO OTHER GOVERNMENT ENTITIES**

During the 12 months to 30 June 2022, we transferred funds to reporting government entities as shown below:

			Total Payments		Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	FY 2021/22	FY 2020/21	
	KShs	KShs	KShs	<u>KShs</u>	<u>KShs</u>
Transfers to National Government entities					
Kenya National Examination Council	420,310,035	-	420,310,035	80,493,206	838,681,350
Teachers Service Commission	10,022,641	-	10,022,641	108,739,783	262,537,152
	<u>430,332,676</u>		<u>430,332,676</u>	<u>189,232,989</u>	<u>1,101,218,502</u>
Transfers to County Government		-			
Various county Governments	313,967,870		313,967,870	403,814,329	4,089,585,344
<b>TOTAL</b>	<u><b>744,300,546</b></u>		<u><b>744,300,546</b></u>	<u><b>593,047,318</b></u>	<u><b>5,190,803,846</b></u>

We have confirmed that the beneficiary institutions have received the funds and have recorded these as inter-entity receipts.



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**12.7 OTHER GRANTS AND TRANSFERS AND PAYMENTS**

		Total Payments		Cumulative to-date	Cumulative Prior Year
	Payments made by the Entity in Cash	FY 2021/22	FY 2020/21		
	KShs	KShs	KShs	KShs	KShs
Transfers to lower levels of government e.g. schools				1,999,800,000	1,999,800,000
Miscellaneous payments		-	-	-	-
<b>Total</b>		<u>-</u>	<u>-</u>	<u><b>1,999,800,000</b></u>	<u><b>1,999,800,000</b></u>





## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 12.8 CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS C/FWD	FY 2021/22	FY 2020/21
	KShs	KShs
Bank accounts (Note 12.8A)	286,406	617,065,918
Outstanding imprests and advances (Note 12.8B)	-	109,693,435
<b>Total</b>	<b><u>286,406</u></b>	<b><u>726,759,353</u></b>

The project has 4 project accounts spread within the project implementation area and 3 foreign currency designated accounts managed by the National Treasury as listed below:

#### 12.8A Bank Accounts

##### Project Bank Accounts

	2021/22	2020/21
	USD	USD
<b><u>Foreign Currency Accounts</u></b>		
Central Bank of Kenya A/c No 1000241349	-	
Central Bank of Kenya A/c No 1000241322	660,579.65	-
Central Bank of Kenya A/c No 1000449788	-	
<b>Total Foreign Currency balances</b>	<b><u>660,579.65</u></b>	<b><u>-</u></b>
	<b>KShs</b>	<b>KShs</b>
<b><u>Local Currency Accounts</u></b>		
Central Bank of Kenya A/c No 1000387947	286,406	422,217,152
Central Bank of Kenya A/c No 1000387955	-	162,538,766
Central Bank of Kenya A/c No 1000387904	-	-
Central Bank of Kenya A/c No 1000465069	-	32,310,000
<b>Total local currency balances</b>	<b><u>-</u></b>	<b><u>617,065,918</u></b>
<b>Total bank account balances</b>	<b><u>286,406</u></b>	<b><u>617,065,918</u></b>



## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### **Special Deposit Accounts**

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

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

### **Special Deposit Accounts Movement Schedule**

	2021/22	2020/21
	KShs	KShs
<b>(i) A/c Name A/c No 1000241322</b>		
Opening balance		970,854.04
Total amount deposited in the account		5,172,915.59
Total amount withdrawn (as per Statement of Receipts & Payments)		<u>6,143,769.63</u>
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	<b><u>0</u></b>	<b><u>0</u></b>
<b>(ii) A/c Name [A/c No 1000241349]</b>		
Opening balance (as per the SDA reconciliation)		205,849.81
Total amount deposited in the account		380,407.80
Total amount withdrawn (as per Statement of Receipts & Payments)		<u>586,257.61</u>
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	<b><u>0</u></b>	<b><u>0</u></b>

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



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**12.8B: BREAKDOWN OF IMPRESTS AND ADVANCES**

<i>Name of Officer or Institution</i>	<i>Amount Taken</i>	<i>Due Date of Surrender</i>	<i>Amount Surrendered</i>	<i>Balance 2022</i>	<i>Balance 2021</i>
	<i>Kshs</i>		<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
	<i>a</i>		<i>b</i>	<i>c=a-b</i>	
<i>Various county Governments</i>	410,560,205	<i>Various</i>	410,560,205	-	57,772,404
<i>TSC</i>	9,537,963	<i>Various</i>	9,537,963		9,537,963
<i>KNEC</i>	527,825,782	<i>Various</i>	527,825,782	-	41,604,040
<i>COVID 19 Project</i>	287,000		287,000	-	287,000
<i>Staff Imprest outstanding</i>	492,028		492,028	-	492,028
<b><i>TOTAL</i></b>	<b>948,702,978</b>		<b>948,702,978</b>	<b>-</b>	<b>109,693,435</b>

**12.9 FUND BALANCE BROUGHT FORWARD**

<b>CASH AND CASH EQUIVALENTS B/FWD</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>KShs</b>	<b>KShs</b>
Bank accounts	617,065,918	695,286,660
Outstanding imprests and advances	109,693,435	41,689,505
Cash transfer to World bank and Treasury	(404,169,589)	-
<b>Total</b>	<b>322,589,764</b>	<b>736,976,165</b>



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**12.10 PRIOR YEAR ADJUSTMENT**

	Balance b/f FY 2021/2022 as per Financial statements	Adjustments	Adjusted Balance b/f FY 2020/2021
Description of the error	Kshs	Kshs	Kshs
Bank account Balances			-10,964,744
Cash in hand	-	-	-
Accounts Payables		-	-
Receivables - KNEC	108,140	108,140	186,206
Receivables from KNEC, TSC and various Counties	15,754,418	15,754,418	-
	<b>15,862,558</b>	<b>15,862,558</b>	<b>-10,778,538</b>

The prior year adjustment of Kshs 108,140 relates to the variance between KNEC 30<sup>th</sup> June 2021 closing balance of Kshs 41,604,040 and 1<sup>st</sup> July 2021 opening balance of Kshs 41,712,180.

Prior year adjustment of Kshs 15,754,418 is money received from the entities in relation to payments which their expenditures had already been expensed in the previous financial year.

**12.11 CHANGES IN RECEIVABLE**

Description of the error	2021 - 2022	2020 - 2021
	KShs	KShs
Outstanding Imprest/advance as at 1 <sup>st</sup> July 2021 (A)	109,693,435	41,689,505
Imprest/advance issued during the year (B)	839,009,543	675,234,977
Imprest/advance surrendered during the Year (C)	(948,702,978)	(607,231,047)
Net changes in account receivables D= A+B+C	-	<b>109,693,435</b>

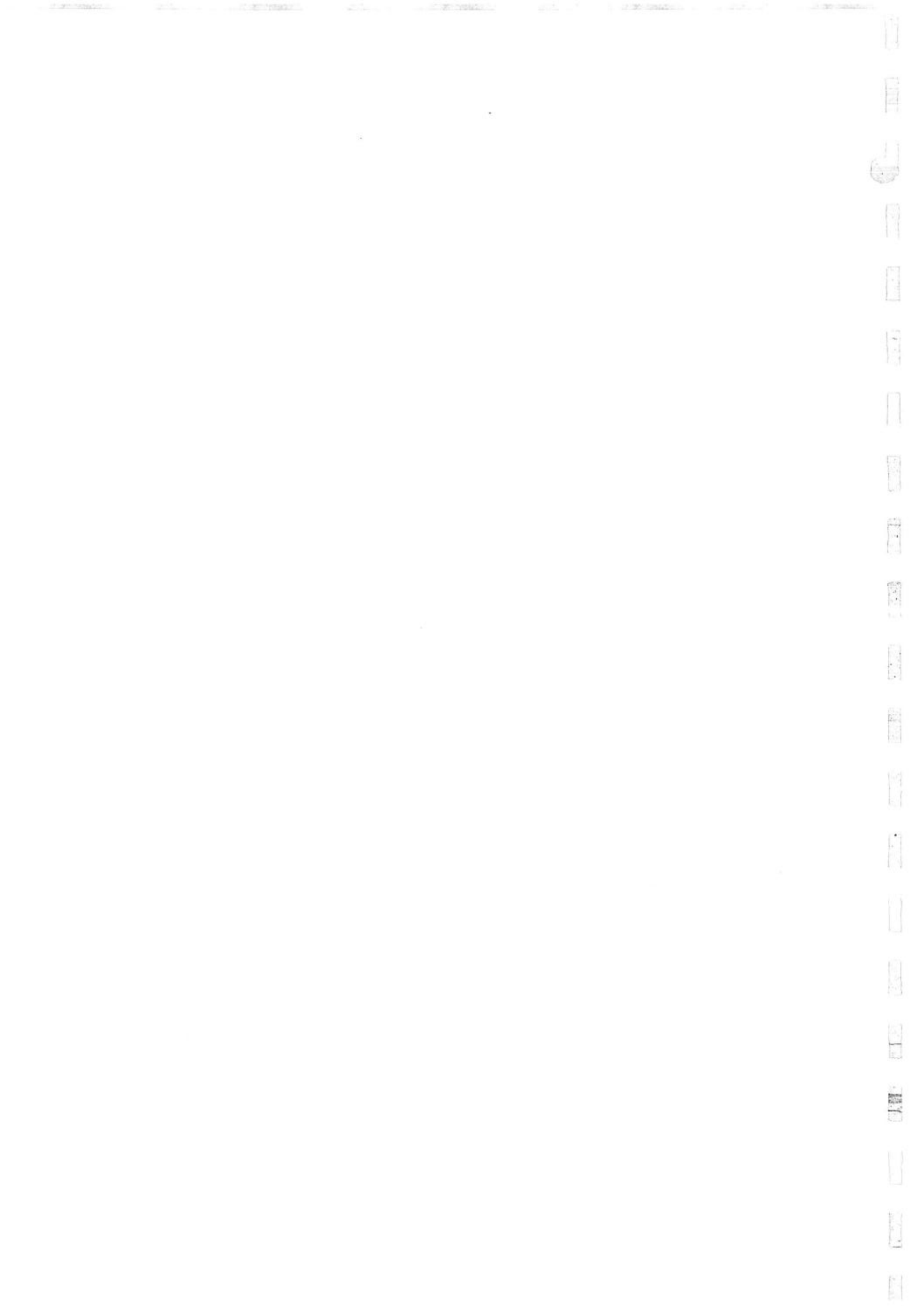




### 13.PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
410	<p><b>Purchase of goods and services - consultancy services</b></p> <p>Note 12.4 to the financial statements includes and amount of Kshs. 37,600,000 in respect of consultancy. The amount includes payments amounting to Kshs. 6,300,000 made to a consultant at a rate of Kshs. 525,000 per month. However, the contract provided in support of the payments, signed on 2<sup>nd</sup> November, 2017, was for a period of four months and for a lumpsum payment of Kshs. 3,997,350 and hence not valid to support the payments. No evidence was provided to support the basis of payment of kshs. 525,000 per month.</p> <p>In the circumstances, the accuracy of purchaser of goods and services as at 30<sup>th</sup> June, 2021 could not be ascertained.</p>	<p>The Ministry of education State Department of Early Learning and Basic Education through the Kenya Primary Education Development PRIEDE Project acknowledges Office of the Controller and Auditor General's observations in regard to the above contract that there was a discrepancy in the total contract amount against the consultant's monthly fee.</p> <p>The Ministry wishes to state that it recruited a consultant (Dr Samuel Siringi) for a duration of six months for development of communication strategy through the Kenya Primary Education Development PRIEDE Project, a World Bank funded project. The Ministry now clarifies that KES 3,997,350 (Appendix.....Financial Proposal in the Contract)) was erroneously captured in the contract as the total contract amount.</p> <p>The amount was actually the consultant's proposed costed financial proposal which was negotiated and reviewed to KES 3,150,000 for duration of six months to align it to the client's</p>	Not Resolved	31/12/2022



**Kenya Primary Education Development Project.**  
**Reports and Financial Statements**  
**For the financial year ended 30 June 2022**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to resolved)
		budget thereby making the monthly consultant's fee to be KES 525,000 (Kenya Shillings Five Hundred Twenty-Five Shillings Only) for the same duration.		
411	<p><b>Unreconciled special account statement</b></p> <p>The statement of receipt and payments for the year ended 30<sup>th</sup> June, 2021 reflects proceeds from domestic and foreign grants totalling to Kshs. 764,770,270 as further disclosed under Note 12.2 of the financial statements. However, the corresponding account balance reflected in the special account statement as at 30<sup>th</sup> June, 2021 amounting to Kshs. 732,441,683 resulting to an unexplained variance of Kshs. 32,328,587.</p>	<p>During the financial year 2020/2021, the project received a total of Kshs 764,770,270 from the National Treasury inform of exchequer releases. The variance of Kshs 32,328,586.74 was caused by exchequer release of Kshs 32,310,000 which was received in project account on 22<sup>nd</sup> June 2021. Was not reflected in the special account statement provided to the auditors for verification by the The National Treasury and also a foreign exchange loss of Kshs 18,586.74. Exchequer notification is attached for your review</p>		31/12/2022
412	<p><b>Budgetary Control and Performance.</b></p> <p>The Project's final budget for the year under review totalled Kshs. 1,175,000,000 and actual expenditure totalled Kshs.</p>	<p>The concern is noted. However, the overall absorption of the project was only 65% due to the Covid -19 pandemic and the</p>		31/12/2022

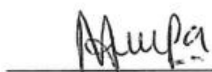


**Kenya Primary Education Development Project.  
Reports and Financial Statements  
For the financial year ended 30 June 2022**

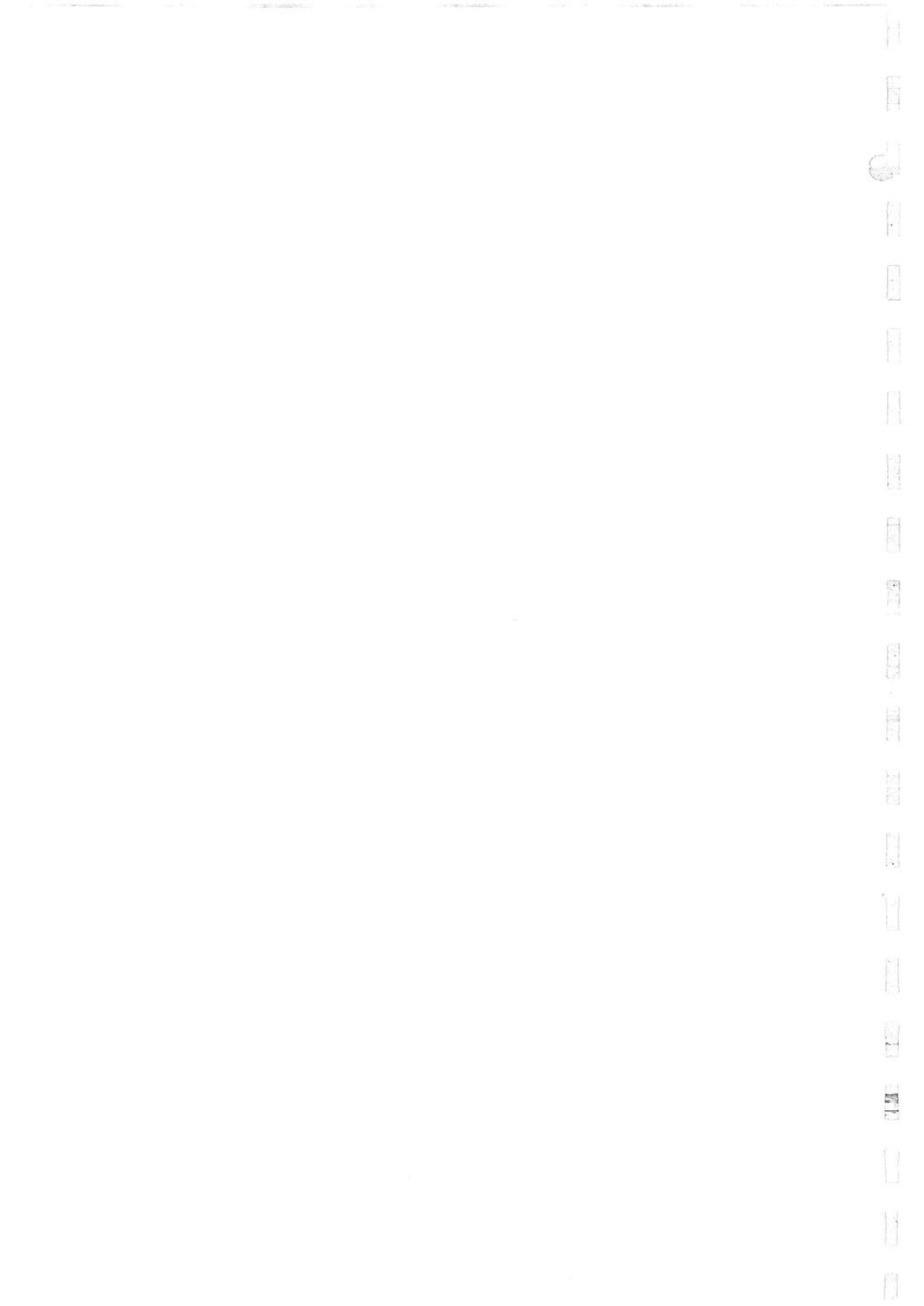
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to resolved)
	<p>766,078,770 resulting to an under-expenditure of Kshs. 408,921,230, equivalent to 35% of the budget.</p> <p>The under-absorption of the approved budget meant that many of the Project's activities planned for the year were not implemented. As a result, attainment of the Project's goals may not be possible.</p>	<p>related protocols. Most of the project activities that required workshops and training of teachers and monitoring of project interventions at the school level could not be undertaken and were deferred to the financial year 2021/2022 due to the long closure of schools and the related Covid - 19 protocols. This resulted to a reduction of the 2020/2021 approved work plan budget by 19%.</p>		



Dr. Julius Jwan  
Principal Secretary



Martha Ekirapa  
Project Coordinator





**15. ANNEXES**

**ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

	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 %	
<b>Receipts</b>					
Proceeds from domestic and foreign grants	1,538,783,671	783,683,539	755,100,132	51%	Actual receipt of Kshs 783,683,539 excludes opening cash balance of Ksh726,759,353
<b>Total Receipts</b>	<b>1,538,783,671</b>	<b>783,683,539</b>	<b>755,100,132</b>	<b>-</b>	
<b>Payments</b>					
Purchase of goods and services	417,031,120	137,764,076	279,267,044	33%	The variance was due to capacity building of field officers, school principals and head teachers on the new NEMIS portal which never took place due late supply and installation of the equipment.
Acquisition of non-financial assets	239,784,833	239,784,833	-	-	
Transfers to other government entities	881,967,718	744,300,546	137,667,172	84%	The variance was due to non-implementation of CBA for school based and teacher education.
<b>Total payments</b>	<b>1,538,783,671</b>	<b>1,121,849,455</b>	<b>417,592,637</b>	<b>73%</b>	



## **ANNEX 2 – SUMMARY OF FIXED ASSET REGISTER**

<b>Asset class</b>	<b>Opening Cost (KShs) 2020/2022</b>	<b>*Purchases/A dditions in the Year (KShs) 2020/22</b>	<b>**Disposals in the Year (KShs) 2020/22</b>	<b>Transfers in/(out) Kshs 2020/22</b>	<b>Closing Cost (KShs) 2022</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>	<b>(e)= (a)+ (b)- (c)+(-)d</b>
Transport equipment	22,440,720	-	-	-	22,440,720
Office equipment, furniture and fittings	27,451,687	-	-	-	27,451,687
ICT Equipment,	425,461,226	239,784,833	-	-	665,246,059
<b>Total</b>	<b>475,353,633</b>	<b>239,784,833</b>			<b>715,138,466</b>

## **APPENDICES**

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations statement as at 30<sup>th</sup> June 2022
- iii. Board of Survey Report
- iv. Special Deposit Account(s) reconciliation statement(s)

