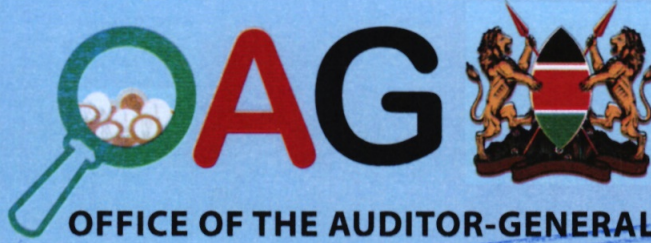


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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

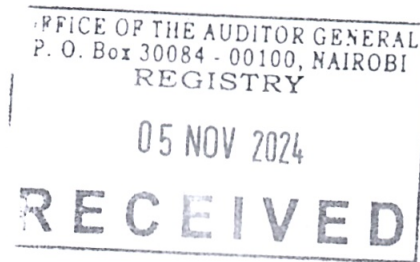
**RURAL KENYA FINANCIAL INCLUSION  
FACILITY (RK FINFA) (IFAD LOAN NO.  
2000004121 AND IFAD LOAN NO. 2000004122)**

**FOR THE YEAR ENDED  
30 JUNE, 2024**

**THE NATIONAL TREASURY**



REPUBLIC OF KENYA  
THE NATIONAL TREASURY AND ECONOMIC PLANNING



Investing in rural people

**RURAL KENYA FINANCIAL INCLUSION FACILITY  
(RK FINFA)**

**The National Treasury and Economic Planning  
Directorate of Budget, Fiscal and Economic Affairs**

**IFAD LOAN NO. 2000004121/22**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
30 JUNE, 2024**

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

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## 1. ACRONYMS AND GLOSSARY OF TERMS

A/C	Account
AFD	Agence Française de Développement
AWPB	Annual Work Plan and Budget
BDS	Business Development Services
BETA	Bottom-Up Economic Transformation Agenda
CGS	Credit Guarantee Scheme
DT- SACCO'S	Deposit Taking SACCO's
ESM	Environmental and Social Management
Eur	Euro
FMS	RKFINFA Financial Management System
GFF	Green Financing Facility
GOK	Government of Kenya
IFAD	International Fund for Agricultural Development
IFR	Interim Financial Report
IPSAS	International Public Sector Accounting Standards
Ksh	Kenya Shilling
MFB	Micro Finance Banks
MSME	Micro, Small and Medium Enterprises
MTEF	Mid Term Plan and Expenditure Framework
NT	National Treasury
PBAS	Performance Based Allocation System
PFI	Participating Financial Institutions
PIM	Project Implementation Manual
PMU	Project Management Unit
PSC	Project Steering Committee
R-CGS	Rural- Credit Guarantee Scheme
RK FINFA	Rural Kenya Financial Inclusion Facility
SACCO	Savings and Credit Cooperative Organizations
USD	United States, Dollar
HFC	HFC Bank
ICPAK	Institute of Certified Public Accountants of Kenya
USD	United States, Dollar

## 2. PROJECT INFORMATION AND OVERALL PERFORMANCE

### 2.1. Name and registered office

#### **Rural Kenya Financial Inclusion Facility (RK FINFA)**

##### **Objective**

The objective of the Project is increased rural financial inclusion and green investments by agriculture value chain stakeholders, leading to equitable employment opportunities, innovative and resilient production systems, and increased incomes for smallholders, poor and marginalised rural households, women and youth.

##### **Address**

The Project Management Unit, RK FINFA  
Directorate of Budget, Fiscal and Economic Affairs  
The National Treasury,  
P.O Box 30007 00100,  
Nairobi- Kenya.

##### **Contacts**

Principal Secretary  
The National Treasury  
Telephone: (254) 20 2252299

### 2.2. Project Information

<b>Facility Start Date</b>	The Project Financing Agreement came into force on June 02, 2022.
<b>Facility End Date</b>	The Project Completion Date shall be 30 June 2028; and the Closing Date shall be 31 December 2028.
<b>Project Manager</b>	The Project is under the leadership of Mr. John Kabutha, the Project Coordinator.
<b>Development Partner</b>	The Facility is availed under IFAD Loan no. 2000004121/22.

### 2.3. Project Overview

<b>Line Ministry/State Department of the Facility</b>	The Project is under the supervision of the Directorate for the Budget, Fiscal & Economic Affairs, under the National Treasury.
<b>Facility Number</b>	IFAD Loan No. 2000004121/22
<b>Goal</b>	The Project goal is "Poverty Reduction, Climate Change Resilience and Improved Livelihoods in Rural Areas".
<b>Objectives</b>	The objective of the facility is increased rural financial inclusion and green investments by agriculture value chain stakeholders, leading to equitable employment opportunities, innovative and resilient production systems, and increased incomes for smallholders, poor and marginalised rural households, women and youth.
<b>Other important background information of the Facility</b>	The Facility consists of the following three Components:
<b>A) Technical Support and Innovation Services (TSIS)</b>	<ul style="list-style-type: none"> <li>i) PFI Capacity Building for Rural Outreach and Innovation sub-component is designed for the capacity building of participating commercial banks, MFBs and DT-SACCOs (PFI's) to provide rural and agriculture financial services, to implement green investment portfolios, and for effective ESM systems.</li> <li>ii) Business Development Services for Agribusinesses and Smallholders (BDS) sub-component is designed to build MSME and smallholder sustainable investment capacities and financial literacy skills particularly tailored to reach women, youth and marginalized groups.</li> </ul>
<b>B) Rural Investment Instruments</b>	<ul style="list-style-type: none"> <li>i) Rural Credit Guarantee Scheme (R-CGS) is designed to provide a risk sharing mechanism to promote rural outreach innovations and catalyse funding from mainstream financial institutions into the rural and agriculture sector.</li> <li>ii) Green Financing Facility (GFF) is designed to support the innovative and sustainable transformation of Kenya's rural economy. The GFF will contribute to the sustainable rural transformation, growth, and income generation through alleviating the liquidity constraints of non-bank financial institutions and micro-finance Banks that are the main financial service providers to smallholders and rural micro-enterprises, and by encouraging small-scale farmers and micro-firms to invest in climate smart and environmentally friendly activities.</li> </ul>

**C) Enabling Rural  
Finance Environment  
and Project  
Coordination**

Enabling Rural Finance Environment aims to promote policies and institutional arrangements that support the development of a more conducive operational environment of the R-CGS and the GFF, therefore, fostering the capacity to improve rural financial intermediation. The Project Coordination is aimed at ensuring an efficient and cost-effective use of Facility and complementary donor resources to achieve the development objective.

**Situation that the  
Facility was formed  
to intervene**

The Facility is projected to benefit 190,000 rural Kenyan households, including both direct and indirect clients. This includes direct financial and technical services to 68,000 households and MSMEs, covering: (i) an estimated 66,000 economically active smallholder households; and (ii) 2,000 rural MSMEs engaged in smallholder-inclusive value chains. Indirect outreach of the project includes: (i) estimated 32,000 persons through employment in the Facility supported agribusinesses and farms; and (ii) 90,000 smallholder households through participation in the value chain strengthened by the supported agribusinesses. The targeting focus is on low-income, economically active rural households, with specific targets on 50 per cent of women and 30 per cent of youth participation in both capacity building and financing activities. The Facility design provides comprehensive strategies and guidelines for poverty, gender and youth targeting.

**Facility duration**

The Project Financing Agreement came into force on June 02, 2022 with a completion date of June 30, 2028. The financing closing date shall be 31 December, 2028. The current loan is financed under the IFAD Performance Based Allocation System (PBAS) 11 with an additional allocation of USD 28 million expected from PBAS 12.

## 2.4 Bankers

### **Euro Accounts:**

Central Bank of Kenya  
Account No. 1000607254  
Account No. 1000607262

### **Ksh Accounts:**

HFC Bank  
Account No. 9783828000  
Account No. 9783828002

## 2.5 Auditors

Auditor-General  
Anniversary Towers, University Way  
P.O. Box 30084 00100  
Nairobi – Kenya  
Tel: +254 2034233

## 2.6 Key Staff Members

The PMU team is based in Nairobi and is responsible for the Facility management and coordination functions. The following were the key Staff of the PMU during the reporting period.

<b>Name</b>	<b>Title and Designation</b>	<b>Key Qualification</b>	<b>Responsibilities</b>
KABUTHA John	Project Coordinator	BA (Hons) (Economics) MA (Economics)	Project Coordination
NJERU Michael	Financial Controller	FA, CPA, BCom (Hons), MSC (International Development), Master in Public Policy and Management	Logistical Management of Project Resources and Deputising Coordinator
NEKESA Patrick	Senior Rural Finance Specialist	Bachelor of Science in Agriculture, Master of Philosophy in Agriculture Economics and Management	Head, Rural Finance
MUSYOKA Philip	Senior Monitoring and Evaluation Specialist	BA (Economics), University of Nairobi MA (Economic Policy Management), PhD (Economics).	Head, Monitoring and Evaluation



## 2.7 Funding Summary

### A. Sources of Funds

**Funding Summary:** The Facility runs from June 02, 2022 to December 31, 2028. The drawn facility as at June 30, 2024 of Eur 5,432,987.70 represents 29% of the Facility as shown on the table below. Overall, the Project outturn is at 20% including the Counterpart Contribution at 12%. The Government of Kenya contribution is based on the Government PDR commitment of USD 24Million at Facility design. The USD 24M is consistently translated using the average Euro rate for the loan drawdowns. The average rate to date is Ksh145.66 to the Euro. The Bank of England Euro/Dollar closing spot rate for June 2023 is used as a base for the Counterpart commitment at design, equivalent to Euro 21,998,400. Counterpart Commitment is consistently given as Euro 21,998,400 and consistently translated using average rate for drawdowns to give current matching values.

Source of funds	Loan/Counterpart Commitment		Amount received to date – (30th June 2024)		Undrawn closing balance		Percentage Absorbed
	Eur	Ksh	Eur	Ksh	Eur	Ksh	
Loan 2000004121	6,240,000	908,913,157	5,432,988	791,364,423 *	807,012	117,548,734	
Loan 2000004122	12,660,000	1,844,044,962	-	-	12,660,000	1,844,044,962	
<b>Total Loan Facility</b>	<b>18,900,000</b>	<b>2,752,958,119</b>	<b>5,432,988</b>	<b>791,364,423</b>	<b>13,467,012</b>	<b>1,961,593,696</b>	
Government of Kenya	21,998,400	3,204,268,460	619,338	82,800,000	21,379,062	3,121,468,460	
<b>Total Facility</b>	<b>40,898,400</b>	<b>5,957,226,579</b>	<b>6,052,326</b>	<b>874,164,423</b>	<b>34,846,074</b>	<b>5,083,062,156</b>	

\*Amount received to date ksh. 791,364,423 includes cash balances in the special deposit account of Ksh. 226,429,420 as per note 8B

## B. Application of Funds

Source of funds	Loan/Counterpart Commitment		Amount received to date – (30th June 2024)		Undrawn closing balance		Percent Absorption
	Eur	Ksh	Eur	Ksh	Eur	Ksh	%
Loan 2000004121	6,240,000	908,913,157	5,432,988	791,364,423 *	807,012	117,548,734	87%
Loan 2000004122	12,660,000	1,844,044,962	-	-	12,660,000	1,844,044,962	0%
<b>Total Loan Facility</b>	<b>18,900,000</b>	<b>2,752,958,119</b>	<b>5,432,988</b>	<b>791,364,423</b>	<b>13,467,012</b>	<b>1,961,593,696</b>	<b>29%</b>
Government of Kenya	21,998,400	3,204,268,460	619,338	82,800,000	21,379,062	3,121,468,460	3%
<b>Total</b>	<b>40,898,400</b>	<b>5,957,226,579</b>	<b>6,052,326</b>	<b>874,164,423</b>	<b>34,846,074</b>	<b>5,083,062,156</b>	

### 2.8 Overall Facility Performance

**Government Preparedness and Beneficiary Outreach:** The second year of the Project was geared towards startup activities that included resources mobilization in line with the Project Design commitments. The total facility at design is estimated at USD 134M. The Government commitment is USD 24M or about 17.9% compared to IFAD Loan commitment of USD 22M or 16.4%. The difference of USD 88M is to be leveraged with the Partner Institutions. Mobilization of Resources in the second year was critical in enhancing project outreach during the implementation phase. Accordingly, The Government Resources mobilized during the period were enhanced through partnership with AFD for an equivalent commitment of Ksh 146M and Finish Government of about Ksh 1.2 billion. The additional resources will be recognised revenue for the financial year 2024/5.

**IFAD and Government Financing:** IFAD financing performed at 99% or Ksh 527M of the budgeted Ksh 531M. The government refinancing was realised at 39% representing 88.6% of project expenditure to date.

### 2.9 Summary of Facility Compliance

The Project ensures that all its activities are carried out within the enabling legal framework and that relevant procedures have been followed.

## 2.10 Governance, Roles and Responsibilities

Governance relates to the way power and authority is exercised and distributed within the Project. RK FINFA's policy of good governance is about making sure that this power and authority is not concentrated in the hands of a single individual or group. Therefore, checks and balances have been put in place within the Facility to separate and balance the power between the Project Management Unit, the Lead Agency (NT) and the Facility Steering Committee, with clear lines of accountability between them. RK FINFA recognizes that sound governance arrangements are necessary to support effective financial management and to ensure proper accountability over the use of Facility funds and effective implementation.

RK FINFA's governance structure is as follows:

## 2.11 The Facility Steering Committee (PSC)

The Facility steering committee is composed as follows:

	<b>Name</b>	<b>Agency</b>
1.	Dr. Chris Kiptoo, CBS	Principal Secretary, National Treasury (Chair Person)
2.	Mr. Albert Mwenda	DG-BFEA - The National Treasury (Alternate to PS National Treasury)
3.	Ms. Rosemary Nyamu	Kenya School of Agriculture; (Alternate to PS)
4.	Ms. Jane Ciaciumia	Central Bank of Kenya (CBK); (Alternate to Governor)
5.	Mr. Benson Kimani	State Department for Planning; (Alternate to PS)
6.	Ms. Jackline Makokha	State Department for Gender (SDfG); (Alternate to PS)
7.	Mr. Churchill Amatha	State Department for Cooperatives (SDC); (Alternate to PS)
8.	Dr. David Kahuthu	Sacco Society Regulatory Authority (SASRA)
9.	Mr. Lewis Suke	Ministry of Environment & Forestry; (Alternate to PS)
10.	Ms. Emma Mburu	The National Treasury & Planning (RMD), RMD IFAD Desk Officer
11.	Ms. Nancy Chotero	Association of Microfinance Institutions (AMFI Kenya)
12.	Dr. Samuel Tiriongo	Kenya Bankers Association (KBA)
13.	Ms. Damiana Ndambuki	State Department for Micro, Small and Medium Enterprises (Alternate to PS)
14.	Mr. John Maina	State Department for Livestock (Alternate to PS)
15.	Ms. Rebecca Muritu	State Department for Blue Economy and Fisheries (Alternate to PS)
16.	Mr. John Kabutha	RK FINFA Coordinator -Secretary

PSC has oversight responsibility for the Facility and its role include the following:

- i. Advise the Project and the other RK FINFA implementing partners on policy issues to ensure that activities undertaken are in line with Facility objectives, national policies and procedures;

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- ii. Encourage coordination with other rural financial sector partners and programmes to build synergies and avoid duplication;
- iii. Approve Facility Annual Work Plans and Budget;
- iv. Receive and review Facility progress reports.

During the year, the PSC met as follows;

	<b>Name</b>	<b>Designation</b>	<b>Planned Meetings</b>	<b>Attendance</b>
1.	Dr. Chris Kiptoo, CBS	Chairperson	3	0
2.	Mr. Albert Mwenda	Alternate Chairperson	3	3
3.	Ms. Rosemary Nyamu	Alternate Member, PS Crops	3	3
4.	Ms. Jane Ciaciumia	Alternate Member, Governor CBK	3	3
5.	Mr. Benson Kimani	Alternate Member, PS Planning	3	3
6.	Ms. Jackline Makokha	Alternate Member, PS Gender	3	3
7.	Mr. Churchill Amatha	Alternate Member, PS Cooperatives	3	3
8.	Dr. David Kahuthu	Member, SASRA	3	3
9.	Mr. Lewis Suke	Alternate Member, PS Environment	3	3
10.	Ms. Emma Mburu	Member, RMD IFAD Desk	3	3
11.	Ms. Nancy Chotero	Member AMFI	3	3
12.	Dr. Samuel Tiriongo	Member KBA	3	3
13.	Ms. Damiana Ndambuki	Alternate Member, PS MSME	3	2
14.	Mr. John Maina	Alternate Member, PS Livestock	3	-
15.	Ms. Rebecca Muritu	Alternate Member, PS Blue Economy and Fisheries	3	2
16.	Mr. John Kabutha	Secretary	3	3

## 2.12 The Project Management Unit

The Project Management Unit (PMU) is housed at the National Treasury within the Directorate of Budget, Fiscal and Economic Affairs. PMU is responsible for the day to day running of the Facility and is also directly accountable to the Director, Financial and Sectoral Affairs. Its specific roles include:

- a) Secretariat to the Facility Steering Committee;
- b) Day-to-day operational responsibility for RK FINFA implementation;
- c) Inter-linkage between different arms of government, IFAD, Development Partners and private sector organizations involved in rural finance activities;
- d) Compilation of RK FINFA Annual Work plan and Budget;
- e) Prepare and submit comprehensive and informative Facility implementation progress and financial reports to GOK and IFAD
- f) Work with on-going IFAD initiatives in the country to establish relevant linkages and synergies;
- g) Disburse and control the flow of funds, under various contractual and partnership agreements;
- h) Manage Facility finances prudently and consistent with the GOK and IFAD requirements and internationally acceptable practices;
- i) Monitor and evaluate all activities under the Programme;
- j) Ensure that all subsidiary agreements with the participating financial institutions and technical providers are performance-based contracts and that they are regularly monitored.

### 3. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

The key development objectives of RK FINFA is increased rural financial inclusion and green investments by targeted value chain stakeholders, leading to equitable employment opportunities, innovative and resilient production systems, and increased incomes for smallholders, poor and marginalised rural households, women and youth.

#### Progress on attainment of Strategic development objectives

In line with Section 81 (2) (f) of the Public Finance Management Act, 2012, that requires the entity disclosure of performance against predetermined objectives, the key objective for the Project during the period was to continue aligning to the Government Mid Term Plan and Expenditure Framework (MTEF). This was achieved through ensuring that the Project is factored in the MTEF as a Bottom-Up Economic Transformation Agenda (BETA) in readiness for beneficiary outreach. Below is the Facility achievement of its strategic objectives during the year;

#### Strategic Key Deliverables During the Year

Project	Objective	Outcome	Indicator	Performance
Facility alignments to the 2024/25 budget policy and MTEF	(i) Resources are ring fenced for the intended purposes	RKFINFA continue to be recognized as BETA Programme	RKFINFA classified as BETA project in 2024/25 budget policy.	+100% Achieved. RKFINFA entrenched in the current budget policy statement.
	(ii) Resource envelop availed in 2024/25	2024/25 RKFINFA year 3 budget availed in the Development Estimates	RKFINFA budget availed in the Approved 2024/25 printed estimates	100% Achieved. 2024/25 budget availed in the Development Estimates
Onboarding of Implementing Partners.	Five implementing partners are onboarded.	Five Implementing Partners are onboarded.	Subsidiary agreements duly signed.	60%; three out of the five Implementing Partners onboarded.

#### Challenges

The table below summarises the key challenges encountered during the Facility implementation and relevant intervention during the year.

Challenges	Intervention
Onboarding of Implementing	The Project Management Unit in collaboration with IFAD entered into a working matrix in order to ensure that the Implementing Partners are

**Partners.**

timely onboarded. The action plan yielded onboarding of three out of the five Implementing Partners. The draft subsidiary agreement for the remaining two partners had received the IFAD and Attorney General no objection by June 30 2024.

#### **4. SOCIAL, ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

The Facility continue to pursue social objective in line with the Government Development Plans, and is focused to build on sustainable instruments in mainstreaming rural agriculture finance. The design of the project is deliberate on the Environmental and Sustainability objectives. The GFF facility which is an environmental initiative is intentionally designed to offer a permanent facility for agriculture green rural financing post RKFIFA. Reporting of climate relevant expenditure is given as Annex 6.

Similarly, the framework for the R-CGS implementation ensure that the rural agriculture continue receiving financing post RKFIFA through support for an enabling policy framework and partners capacity building. Furthermore, the National Credit Guarantee Scheme established as a permanent Government Credit Guarantee Scheme was conceived under the first Rural Finance pilot phase.

##### **Community Engagements**

The Project is community centric. The Facility focus is on the poverty reduction, climate change resilience and improved livelihoods for the rural community.



## 5. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Principal Secretary, the National Treasury and the Project Coordinator for the Rural Kenya Financial Inclusion Facility (RK FINFA) are responsible for the preparation and presentation of the Programme's financial statements, which give a true and fair view of the state of affairs of the Facility for and as at the end of the financial period ended on June 30, 2024. 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 programme; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Principal Secretary, the National Treasury and the Facility Coordinator for RK FINFA 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, the National Treasury and the Facility Coordinator for RK FINFA are of the opinion that the Programme's financial statements give a true and fair view of the state of Programme's transactions during the financial year ended June 30, 2024 and of the Project's financial position as at that date. The Principal Secretary, the National Treasury and the Facility Coordinator for RK FINFA further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Facility financial statements as well as the adequacy of the systems of internal financial control.

The Principal Secretary, the National Treasury and the Facility Coordinator for RK FINFA confirm that the Facility has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Facility funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

### **Approval of the Facility financial statements**


The Facility financial statements were approved by the Principal Secretary, the National Treasury and the Facility Coordinator for RK FINFA on July 25, 2024 and signed by them.



Dr. Chris Kiptoo, CBS  
Principal Secretary/ NT



John Kabutha  
Project Coordinator



FA CPA NJERU Michael  
Financial Controller  
ICPAK Member No. 3125

Rural Kenya Financial Inclusion Facility  
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**7. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2024**

	Note	Receipts and payments controlled by the entity FY 2023/2024 Ksh.	Payments made by third parties Ksh.	Total Ksh.	Receipts and payment controlled by the entity FY 2022/23(Revised) Ksh.	Payments made by third parties Ksh.	Total Ksh.	Cumulative to-date (From inception) Ksh.
<b>RECEIPTS</b>								
Government Entities Revenue	1	82,800,000	-	82,800,000				82,800,000
Loan Revenue	2	527,501,467	-	527,501,467	37,433,536	-	37,433,536	564,935,003
Other receipts	3	5,980,054	-	5,980,054	863,042	-	863,042	6,843,096
<b>TOTAL RECEIPTS</b>		<b>516,281,521</b>	<b>-</b>	<b>516,281,521</b>	<b>38,296,578</b>	<b>-</b>	<b>38,296,578</b>	<b>654,578,099</b>
<b>PAYMENTS</b>								
Compensation to employees	4	70,530,693	-	70,530,693	28,993,498	-	28,993,498	99,524,191
Purchase of goods and services	5	77,306,676	-	77,306,676	30,586,298	-	30,586,298	107,892,974
Acquisition of non-financial assets	6	2,970,000	-	2,970,000	805,020	-	805,020	3,775,020
Transfers to other government entities	7	300,000,000	-	300,000,000	-	-	-	300,000,000
<b>TOTAL PAYMENTS</b>		<b>450,807,369</b>	<b>-</b>	<b>450,807,369</b>	<b>60,384,816</b>	<b>-</b>	<b>60,384,816</b>	<b>511,192,185</b>
<b>SURPLUS/(DEFICIT)</b>		<b>165,474,152</b>	<b>-</b>	<b>165,474,152</b>	<b>(22,088,238)</b>	<b>-</b>	<b>(22,088,238)</b>	<b>143,385,914</b>

**\*\*Counterpart funds of Ksh 82,800,000 received during the year relates to Project reflows revoted under supplementary 2 for utilization by project from the reflows held.**

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements. The financial statements were approved on 25 July 2024 and signed by:

.....  
Dr. Chris Kiptoo, CBS  
Principal Secretary/ NT

.....  
John Kabutha  
Project Coordinator

.....  
FA CPA NJERU Michael  
Financial Controller  
ICPAK Member No. 3125

# REPUBLIC OF KENYA



*Enhancing Accountability*

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

## **REPORT OF THE AUDITOR-GENERAL ON RURAL KENYA FINANCIAL INCLUSION FACILITY (RK FINFA) (IFAD LOAN NO. 2000004121 AND IFAD LOAN NO. 2000004122) FOR THE YEAR ENDED 30 JUNE, 2024 - 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A qualified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, is effective in the use of resources, or that its internal control, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

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*Report of the Auditor-General on Rural Kenya Financial Inclusion Facility (RK FINFA) (IFAD Loan no.2000004121 and IFAD Loan no.2000004122) for the year ended 30 June, 2024 - The National Treasury*

## REPORT ON THE FINANCIAL STATEMENTS

### **Qualified Opinion**

I have audited the accompanying financial statements of the Rural Kenya Financial Inclusion Facility (RK FINFA) (IFAD Loan No.2000004121 and IFAD Loan No.2000004122) set out on pages 1 to 17, which comprise of the statement of financial assets as at 30 June, 2024, and the statement of receipts and payments, 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 of Qualified Opinion section, the financial statements present fairly, in all material respects, the financial position of the Rural Kenya Financial Inclusion Facility (RK FINFA) ( IFAD Loan No.2000004121 and IFAD Loan No.2000004122) as at 30 June, 2024 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 Loan Financing Agreement No.2000004121 and Loan No. 2000004122 respectively between the International Fund for Agricultural Development (IFAD) and the Republic of Kenya dated 2 June, 2022 and the Public Finance Management Act, 2012.

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

### **Basis for Qualified Opinion**

#### **Incomplete Expenditure Records**

The statement of receipts and payments reflects total payments totalling to Kshs.450,807,369. However, review of the supporting ledger reports and expenditure schedules revealed that they lacked details of the payees making it difficult to validate the payment amounts in the financial statements and the accounting records. Management has indicated that they have engaged the system vendor with a view to rectifying the anomaly. However, as at the date of this report, the accounting system had not been reconfigured to include payee details and therefore the details of beneficiary to payments made by the project could not be confirmed.

In the circumstances, the accuracy and validity of the reported expenditure could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Rural Kenya Financial Inclusion

Facility 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**

### **Budget Control and Performance**

The statement of comparison of budget and actual amounts reflects approved receipts budget of Kshs.743,170,000 and actual receipts of Kshs.616,281,521 resulting to a budget shortfall of Kshs.132,868,533 or 18% of the budget. Similarly, the statement reflects actual receipts of Kshs.616,281,521 compared to actual payments of Kshs.450,807,369 resulting to an underutilization of Kshs.165,474,152 or 27% of receipts. The under-funding and underutilization affected implementation of the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified with respect to 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 Information**

#### **Conclusion**

Management is responsible for the other information set out on page (iii) to (xiv) which comprise of project information and overall performance, statement of performance against predetermined objectives, environmental and sustainability reporting and statement of project management responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Rural Kenya Financial Inclusion Facility financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

# REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

## **Conclusion**

As required by Article 229(6) of the Constitution and based on the audit procedures performed, except for the matters described in the Basis for Conclusion, 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. Irregular Payment of Salaries**

The statement of receipts and payments reflects compensation of employees of Kshs.70,530,693 which includes staff emoluments of Kshs.69,624,203 as disclosed in Note 4 to the financial statements. The amount further includes Kshs.4,720,200 paid as salary top up to an officer deployed from the State Department for Planning being the net difference between the salary as per the contract under the project and the amount paid at the State Department for Planning.

Review of records revealed that although the officer had been recruited competitively and offered a contract under the project, approval for the secondment to the project by the Ministry of Public Service, Gender and Affirmative Action as required by B.33(3) of the Public Service Commission's Human Resource Policies and Procedures Manual for the Public Service, 2016 was not provided.

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

### **2. Low Value Procurement Beyond the Allowable Threshold**

The statement of receipts and payments reflects purchase of goods and services of Kshs.77,306,676 out of which Kshs.7,347,957 relate to utilities, supplies and services. Review of the supporting schedules and payment records revealed that amounts totalling Kshs.1,665,247 relate to purchase of consumables such as water refills, office stationery, newspapers, airtime and purchase of fuel using direct method of procurement through the office standing imprest. The procurement of the items exceeded the threshold of Kshs.50,000 for low value cash purchases as provided by Section 45(3)(b) of the Public Procurement and Asset Disposal Act, 2015 which states that all procurement processes shall be undertaken by a procuring entity as per the threshold matrix prescribed.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply 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 and based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### Basis for Conclusion

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

### Conclusion

As required by Financing Agreements No.2000004121 and No.2000004122, 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 Programme, so far as appears from the examination of those records; and,
- iii. The Programme's financial statements are in agreement with the accounting records and returns.

### Responsibilities of the Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements 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 governance.

In preparing the financial statements, Management is responsible for assessing the Programme's ability to continue 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 Programme 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, the Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

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

### **Auditor-General's Responsibilities for the Audit**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the INTOSAI Framework of Professional Pronouncements (IFPP). The Framework requires that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I also consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1) (a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.



Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

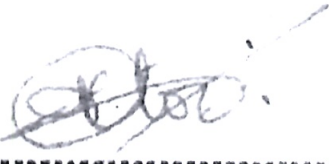
**Nairobi**

**07 November, 2024**


## 8. STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2024

	Note	2023/24 Ksh	2022/23(Restated) Ksh
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash equivalents</b>			
Bank Balances	8A	432,599,767	349,926,615
Cash Balances	8	1,000	
<b>Total Cash and Cash equivalents</b>		<b>432,600,767</b>	<b>349,926,615</b>
Total Financial Assets		432,600,767	349,926,615
<b>REPRESENTED BY</b>			
Unutilized Reflows	9	289,214,853	372,014,853
Fund Balance B/fwd. (Opening Balance)		(22,088,238)	-
Prior Year Adjustments		-	-
Surplus/(Deficit) for the Year		165,474,152	(22,088,238)
<b>NET FINANCIAL POSITION</b>		<b>432,600,767</b>	<b>349,926,615</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 25 July 2024 and signed by:

  
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**Dr. Chris Kiptoo, CBS**  
**Principal Secretary/ NT**


  
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**John Kabutha**  
**Project Coordinator**

  
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**FA CPA NJERU Michael**  
**Financial Controller**  
**ICPAK Member No. 3125**

## 9. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2024

	Notes	FY 2023/2024 Ksh	FY 2022/23 Ksh
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts from Operating Activities</b>			
Transfer from government entities	1		
Proceeds from loan revenue	2	527,501,467	37,433,536
Miscellaneous receipts	3	5,980,054	863,042
Reflows received			372,014,853
<b>Total receipts</b>		<b>533,481,521</b>	<b>410,311,431</b>
<b>Payments from Operating Activities</b>			
Compensation of employees	4	70,530,693	28,993,497
Purchase of goods and services	5	77,306,676	30,586,299
Transfers to other government entities	7	300,000,000	-
<b>Total Payments</b>		<b>447,837,369</b>	<b>59,579,796</b>
<b>Net cash flow from operating activities</b>		<b>85,644,152</b>	<b>350,731,635</b>
<b>Cashflow from Investing Activities</b>			
Acquisition of assets	6	2,970,000	805,020
<b>Net cash flow from Investing activities</b>		<b>2,970,000</b>	<b>805,020</b>
<b>Net increase in cash and cash equivalents</b>		<b>82,674,152</b>	<b>349,926,615</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>	8	<b>349,926,615</b>	<b>-</b>
<b>Cash and cash equivalent at END of the year</b>	8	<b>432,600,767</b>	<b>349,926,615</b>

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 25 July 2024 and signed by:

  
-----  
**Dr. Chris Kiptoo, CBS**  
Principal Secretary/ NT


  
-----  
**John Kabutha**  
Project Coordinator

  
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**FA CPA NJERU Michael**  
Financial Controller  
ICPAK Member No. 3125

## 10. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2024

Receipts/Payments Item	Note	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
		a	b	c=a+b	d	e=c-d	f=d/c %
Receipts		Ksh	Ksh	Ksh	Ksh	Ksh	
Transfer from Government entities	1	372,000,000	160,000,000	212,000,000	82,800,000	129,200,000	39%
Proceeds from Borrowings	2	831,170,000	300,000,000	531,170,000	527,501,467	3,668,533	99%
Other receipts	3	-	-	-	5,980,054		100%
<b>Total Receipts</b>		<b>1,203,170,000</b>	<b>460,000,000</b>	<b>743,170,000</b>	<b>616,281,521</b>	<b>132,868,533</b>	
Payments							
Compensation to employees	4	71,884,360	-	71,884,360	70,530,693	1,353,667.00	98%
Purchase of goods and services	5	348,843,277	-	348,843,277	77,306,676	271,536,601.00	22%
Acquisition of non-financial assets	6	4,000,000	-	4,000,000	2,970,000.00	1,030,000.00	74%
Transfers to other government entities	7	778,442,363	460,000,000	318,442,363	300,000,000	18,442,363.00	94%
<b>Total Payments</b>		<b>1,203,170,000</b>	<b>460,000,000</b>	<b>743,170,000</b>	<b>450,807,369</b>	<b>292,362,631</b>	

\*Transfers to other government entities reflect only the budget item (ref note 12.1)  
Significant budget performance differences in the last column are explained in Annex 1 to these financial statements.

  
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**Dr. Chris Kiploo, CBS**  
Principal Secretary/ NT

  
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**John Kabutha**  
Project Coordinator

  
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**FA CPA NJERU Michael**  
Financial Controller  
ICPAK Member No. 3125

## 11. SIGNIFICANT ACCOUNTING POLICIES

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

### a 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.

### b Reporting entity

The financial statements are for the Rural Kenya Financial Inclusion Facility (RK FINFA) under National Treasury.

### c Reporting currency

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

### d Recognition of receipts

The Facility recognises all receipts from the various sources when the event occurs, and the Facility has actually received the related cash.

#### **(i) Transfers from the National Treasury**

Transfer from the National Treasury is recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is reflected in the Bank Statement.

#### **(ii) Other receipts**

These include interest earned from operational bank deposits.

**(iii) 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.

**(iv) Undrawn external assistance**

An analysis of the Programme's undrawn external assistance is shown in the funding summary.

**e Recognition of payments**

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

**(i) Compensation of employees**

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

**(ii) Use of goods and services**

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

**(iii) 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 the Project and a summary register given as an annex to the financial statements.

**f In-kind donations**

In-kind contributions are donations that are made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Project includes

such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

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

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

#### **h. Imprests and Advances**

For the purposes of these financial statements, imprests and advances to authorized officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables.

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

**j. Contingent Assets**

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

**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 are recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Facility 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 where applicable, and for the same period as the financial statements. The Project 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. A high-level assessment of the Programme's actual performance against the comparable Annual Work Plan and budget for the financial year/period under review has been included in an annex to these financial statements.

**m. Exchange Rate Differences**

The accounting records are maintained in the functional currency of the primary economic environment in which the Facility operates i.e. 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.



**n. 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.

**o. Subsequent Events**

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the period ended June 30, 2023.

**p. 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. In the period under review no restatement has been made to account for errors or revisions to the financial statement.

## 12. NOTES TO THE FINANCIAL STATEMENTS

### 1. Transfers from Government

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

Description	KSh	KSh	Cumulative to-date
	FY 2023/24	FY 2022/23	
Counterpart Funds Quarter 4**	82,800,000	-	372,014,853
<b>Total</b>	<b>82,800,000</b>	<b>-</b>	<b>372,014,853</b>

\*\* Counterpart funds of Ksh 82,800,000 received during the year relates to reflows revoted under supplementary for project utilization.

### 2. Loan from External Development Partners

During the financial year, the project received Ksh. 527,501,486.90 in second quarter and fourth quarter of the financial year as shown below. The table below gives the comparative for the prior year.

Name of Development Partner	Date received (Operational Account)	Amount received in donor currency (EURO)	FY 2023/24			FY 2022/23	
			Loans received in cash	Loans received as direct payment	Total amount in Kshs	Total amount in Kshs	Cumulative to date
			Kshs	Kshs	Kshs	Kshs	
IFAD	12/10/2023		206,312,167		206,312,167	37,433,536.00	243,745,703
IFAD	17-05-24	2,250,000	321,189,300	-	321,189,300	-	321,189,300
<b>Total</b>			<b>527,501,467</b>	<b>-</b>	<b>527,501,467</b>	<b>37,433,536.00</b>	<b>564,935,003</b>

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### 3. Other Receipts

	FY 2023/24		FY 2022/2023		Cumulative to date
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total Receipts	Total Receipts	
	KSh	KSh	KSh	KSh	
Bank Interest	5,980,054	-	863,042	-	6,843,096
<b>Total</b>	<b>5,980,054</b>	<b>-</b>	<b>863,042</b>	<b>-</b>	<b>6,843,096</b>

During the year, the Project received gross of Ksh. 5,980,054 in respect to Bank deposit interest earnings.

### 4. Compensation of Employees

	FY 2023/2024		FY 2022/2023		Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total payments	Total payments	
	Ksh	Ksh	Ksh	Ksh	
Staff emoluments	69,624,203	-	69,624,203	28,959,378	98,583,581
Compulsory National Social Security Scheme	180,360	-	180,360	34,120	214,480
Compulsory National Health Insurance Scheme	10,200	-	10,200	-	10,200
Compulsory Affordable Housing Scheme	715,930	-	715,930	-	715,930
<b>Total</b>	<b>70,530,693</b>	<b>-</b>	<b>70,530,693</b>	<b>28,993,498</b>	<b>99,524,191</b>

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**5. Purchase of Goods and Services**

	FY 2023/2024			FY 2022/2023	
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	Cumulative to-date
	Ksh	Ksh	Ksh	Ksh	Ksh
Utilities, supplies and services	7,347,957	-	7,347,957	791,411	8,139,368
Communication, supplies and services	70,000	-	70,000	-	70,000
Domestic travel and subsistence	34,583,500	-	34,583,500	18,769,610	53,353,110
Printing, advertising, and information supplies	26,377	-	26,377	1,103,360	1,129,737
Training Payments	433,800	-	433,800	-	433,800
Hospitality supplies and services	7,884,044	-	7,884,044	3,068,100	10,952,144
Insurance costs	-	-	-	2,493,615	2,493,615
Other operating payments	26,752,302	-	26,752,302	4,207,272	30,959,574
Routine maintenance – vehicles and other transport equipment	208,696	-	208,696	152,931	361,627
<b>Total</b>	<b>77,306,676</b>	<b>77,306,676</b>	<b>77,306,676</b>	<b>30,586,299</b>	<b>107,892,975</b>

## 6. Acquisition of Non-Financial Assets

Below is the cumulative non-financial assets to-date.

	FY 2023/24		FY2022/23		Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KSh	KSh	KSh	KSh	
Purchase of Office Furniture & General Equipments	2,970,000	-	2,970,000	805,020	3,775,020
<b>Total</b>	<b>2,970,000</b>	<b>-</b>	<b>2,970,000</b>	<b>805,020</b>	<b>3,775,020</b>

The summary of fixed asset register is given as Annex 5 of this report.

## 7. Transfers to other Government Entities

	FY 2023/24		FY2022/23		Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KSh	KSh	KSh	KSh	
Transfer to Agricultural Finance Corporation	300,000,000	-	300,000,000	-	300,000,000
<b>Total</b>	<b>300,000,000</b>	<b>-</b>	<b>300,000,000</b>	<b>-</b>	<b>300,000,000</b>

## 8. Cash and Cash Equivalents

	FY 2023/24	FY 2022/23
	KSh	KSh
Bank accounts (Note 10A)	432,599,767	349,926,615
Cash in hand	1,000	-
Cash Equivalents (Short-Term Deposits)	-	-
<b>Total</b>	<b>432,600,767</b>	<b>349,926,615</b>

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The project has two foreign accounts that are operated by the National Treasury. At the operational level, the project operates two local currency accounts. The balances for each of the accounts as at June 30, 2024 is given below.

### 8A. Bank Accounts

#### Project Bank Accounts

	FY 2023/24	FY 2022/23
<b>Foreign Currency Accounts</b>	<b>EURO</b>	<b>EURO</b>
Central Bank of Kenya – 1000607254	-	-
Central Bank of Kenya – 1000607262	-	-
<i>Total foreign currency balances</i>	-	-
<b>Local Currency Accounts</b>	<b>Ksh</b>	<b>Ksh</b>
HFC -9783828000-0	127,430,243	2,125,276
HFC -9783828002-0	305,169,524	347,801,339
<i>Total local currency balances</i>	<b>432,599,767</b>	<b>349,926,615</b>
<b>Total bank account balances</b>	<b>432,599,767</b>	<b>349,926,615</b>

### 8B. Special Deposit Accounts

The balances in the Programme's Special Deposit Account if any at the end of Facility reporting period 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 movement schedule which shows the flow of funds voted in the year. These funds have been reported as receipts in the year under the Statement of Receipts and Payments.

#### Special Deposit Accounts Movement Schedule

	FY 2023/24		2022/23	
	KSh	Euro	KSh	Euro
<b>Central Bank of Kenya – 1000607254</b>				
Opening balance	-	-	-	-
Total amount deposited in the account	753,930,907	5,152,988	37,433,536	280,000
Total amount withdrawn (as per Statement of Receipts & Payments)	527,501,487	3,566,801	37,433,536	280,000
Closing balance	226,429,420	1,586,187	-	-

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**Central Bank of Kenya – 1000607262**

Opening balance	-	-	-	-
Total amount deposited in the account	-	-	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	-	-	-	-
Closing balance	-	-	-	-

The Signed National Treasury Special Deposit Account reconciliation statements have been attached as Appendix 5 to support the closing balance.

**9. Amortization of Reflows**

	<b>2023/24</b>	<b>2022/23</b>
Balance b/f	372,014,853	
Reflows received during the year		372,014,853
Approved for Utilization during the year(Transfer to receipts and payments)	82,800,000	-
<b>Unamortized Reflows</b>	<b>289,214,853</b>	<b>372,014,853</b>

**10. OTHER IMPORTANT DISCLOSURES**

During the year the Project did not receive or enter into extra External Assistance arrangement. Negotiations between the Government of Finland and the French Embassy are ongoing for additional assistance mainstreaming into the Project Components.

**a. External Assistance Relating to Loans and Grants**

Description	<b>FY2023/24</b>	<b>2022/23</b>
	<b>Ksh</b>	<b>Ksh</b>
Loans	-	-
Grants	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**b. Undrawn External Assistance**

Description	Purpose for Assistance	<b>2023/24</b>	<b>2022/23</b>
		<b>Ksh</b>	<b>Ksh</b>
Loans		-	-
Grants		-	-
<b>Total</b>		<b>-</b>	<b>-</b>

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**c. Government Commitments**

The government commitment under the financing agreement is USD 24 million equivalent to Ksh 3.2 billion representing 52% of the project financing. IFAD contribution is USD 22 million.

**d. Amounts disbursed to partners.**

	FY 2023/24		FY2022/23		Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KSh	KSh	KSh	KSh	KSh
Transfer to Agricultural Finance Corporation	300,000,000		300,000,000		300,000,000
<b>Total</b>	<b>300,000,000</b>	<b>-</b>	<b>300,000,000</b>	<b>-</b>	<b>300,000,000</b>

Ksh. 300M was paid out to AFC in respect to the establishment of a permanent facility for the Green Financing in the agricultural value chain.



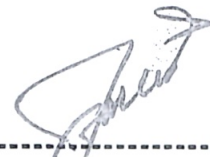
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**14. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS**

Reference No. on the external audit Report	Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe for Resolving
	Unauthorized Utilization of Reflows Revenue	Counterpart expenditure to date has accordingly been revoted in the fiscal year 2023/4.	Resolved	By June 30, 2024



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**Dr. Chris Kiptoo, CBS**  
**Principal Secretary/ NT**



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**John Kabutha**  
**Project Coordinator**



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**FA CPA NJERU Michael**  
**Financial Controller**

15. ANNEXES

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

Receipts/Payments Item	Final Budget a	Actual on Comparable Basis b	Budget Utilization Difference c=a-b	% of Utilization d=b/a %	Comments on Variance (below 90% and over 100%)
	Ksh	Ksh	Ksh		
<b>Receipts:</b>					
Transfer from Government entities	212,000,000	82,800,000	129,200,000	39%	This relates to revoting of project reflows of Ksh 82,800,000. The entire reflow of Ksh 372M could not be realized owing to contingent changes under supplementary 2.
Proceeds from Borrowings	531,170,000	527,501,467	3,668,533	99%	Realized
Other receipts	-	5,980,054	-5,980,054		These are Bank Interest receipts for the year.
<b>Payments</b>					
Compensation to employees	71,884,360	70,530,693	1,353,667	98%	Realized
Purchase of goods and services	348,843,277	77,306,676	271,536,601	22%	The difference of 271M relates to budgeted disbursements to the implementing partners and motor vehicle purchases. The partnership agreement for one partner was concluded in late June 2024 with roll overs for all partners to FY 2024/5. Procurement of motor vehicle is precedent tax exemptions by the National Treasury.
Acquisition of non-financial assets	4,000,000	2,970,000	1,030,000	74%	The savings realized are as a result of use of work stations owing to office space challenges at the Reinsurance Plaza.
Transfers to Implementing Partners	318,442,363	300,000,000	18,442,363	94%	Realized


**ANNEX 2: INTER-ENTITY TRANSFERS**

a. Counterpart Funding through National Treasury

	NOTE	Bank Statement Date	Amount (Ksh)	Financial Year
IFAD		12-Oct-23	206,312,167	2023/24
IFAD		17-May-24	321,189,300	2023/24
GOK	12.1	27-JUNE-24	82,800,000	2023/24
<b>Sub-total</b>			<b>610,301,467</b>	
b. Direct Payments				
		<b>Bank Statement Date</b>		
<b>Sub-total</b>				
c. Others				
		<b>Bank Statement Date</b>		
<b>Sub-total</b>				
<b>Total</b>			<b>610,301,467</b>	

The above amounts have been communicated to and reconciled with relevant entities.

  
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**John Kabutha**  
 Project Coordinator  
 RKFIFA

  
 -----  
**CPA George Gichuru**  
 Director Accounting Services/Head of Accounting Unit  
 The National Treasury

**ANNEX 3: ANALYSIS OF PENDING BILLS**

There were no pending bills incurred during the financial year under review.

### **ANNEX 3: ANALYSIS OF PENDING BILLS**

There were no pending bills incurred during the financial year under review.

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**ANNEX 4: SUMMARY OF FIXED ASSETS REGISTER**

Asset class	Opening Cost	Donations in form of assets	*Purchases/ Additions in the Year	**Disposals in the Year	Transfers in/(out)	Closing Cost
	(KSh)	(KSh)	(KSh)	(KSh)	Kshs	(KSh)
	FY 2023/24	FY 2023/24	FY 2023/24	FY 2023/24	FY 2023/24	FY 2023/24
	(a)	(b)	(c)	(d)	(d)	(e)= (a)+ (b)+c)-(d)+(-)d
Office equipment, furniture and fittings	805,020	-	-	-	-	805,020
Computers	-	-	2,970,000	-	-	2,970,000
<b>Total</b>	<b>805,020</b>	<b>-</b>	<b>2,970,000</b>	<b>-</b>	<b>-</b>	<b>3,775,020</b>

The assets are stated at original cost. The relevant schedules for the assets are contained in a separate asset register maintained by the Programme.

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**ANNEX 5: NATIONAL TREASURY SPECIAL DEPOSIT ACCOUNTS RECONCILIATION**

**RURAL KENYA FINANCE INCLUSION FACILITY 4121  
STATEMENT OF SPECIAL (DESIGNATED) ACCOUNT RECONCILIATION  
FOR THE YEAR ENDED 30TH JUNE 2024**

IFAD Loan No. 2000004121  
Bank Account No. 1000607254 Held at Central Bank of Kenya

	NOTES	AMOUNT EURO	AMOUNT EURO
1 Amount advanced by IFAD			5,432,987.70
Less			
2 Total amount justified to IFAD			472,723.01
<b>3 Outstanding amount to be justified</b>			<b>4,960,264.69</b>
<b>Represented by:</b>			
4 Ending Designated Account Balance at 30.06.2024			1,586,186.70
5 Amount claimed but not credited as at 30.06.2024			
6 Amount withdrawn and not claimed as at 30.06.2024			3,374,077.99
7 Service charges (if not included in 5 & 6 above)			
Less			
8 Interest earning (if included in Designated Account)			
<b>9 Total advance to Designated Account year ended 30.06.2024</b>			<b>4,960,264.69</b>
Discrepancy between total appearing on lines 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 eligible expenditures paid from the Special/Designated Account)
  - 2 Indicate if amount appearing on line 6 is eligible for financing by IFAD and provide reasons for not claimant expenditures.

The amount appearing on line 6 is eligible for financing by IFAD and shall be documented in subsequent IFRs

*[Signature]*  
AUTHORIZED REPRESENTATIVE  
RESOURCES MOBILIZATION DEPARTMENT  
THE NATIONAL TREASURY

DATE: 21/08/2024

**RURAL KENYA FINANCE INCLUSION FACILITY 4122  
STATEMENT OF SPECIAL (DESIGNATED) ACCOUNT RECONCILIATION  
FOR THE YEAR ENDED 30TH JUNE 2024**

IFAD Loan No. 2000004122  
Bank Account No. 1000607262 Held at Central Bank of Kenya

	NOTES	AMOUNT EURO	AMOUNT EURO
1 Amount advanced by IFAD			-
Less			
2 Total amount justified			-
<b>3 Outstanding amount to be justified</b>			<b>-</b>
<b>Represented by:</b>			
4 Ending Designated Account Balance at 30.06.2024			
5 Amount claimed but not credited as at 30.06.2024			
6 Amount withdrawn and not claimed as at 30.06.2024			
7 Service charges (if not included in 5 & 6 above)			
Less			
8 Interest earning (if included in Designated Account)			
<b>9 Total advance to Designated Account year ended 30.06.2024</b>			<b>-</b>
Discrepancy between total appearing on lines 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 eligible expenditures paid from the Special/Designated Account)
  - 2 Indicate if amount appearing on line 6 is eligible for financing by IFAD and provide reasons for not claimant expenditures.

The amount appearing on line 6 is eligible for financing by IFAD and shall be documented in subsequent IFRs

*[Signature]*  
AUTHORIZED REPRESENTATIVE  
RESOURCES MOBILIZATION DEPARTMENT  
THE NATIONAL TREASURY

DATE: 21/08/2024

## ANNEX 6: REPORTING OF CLIMATE RELEVANT EXPENDITURES

Project Name	Project Description	Project Objectives	Project Activities	Amount (Ksh)				Source Of Funds	Implement Partners	
				Q1	Q2	Q3	Q4			
KFINFA	Green Financing Facility (GFF)	Rural transformation, growth, and income generation through climate smart and environmentally friendly activities.	- engagement of participating financial institutions.				300M	300,000,000	IFAD	AFC
<b>Total</b>								<b>300,000,000</b>		