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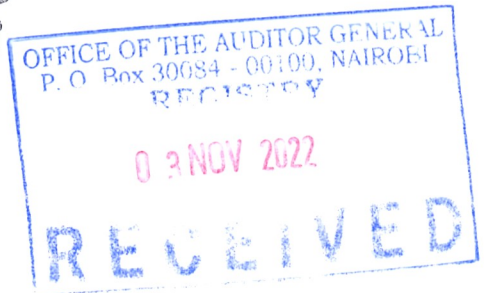
THE AUDITOR-GENERAL

ON

**LAKE VICTORIA ENVIRONMENTAL
MANAGEMENT PROJECT PHASE III (LVEMP)
PROJECT PREPARATORY ADVANCE
NO. V1570 - KE**

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

MINISTRY OF ENVIRONMENT AND FORESTRY



**PROJECT NAME: LAKE VICTORIA ENVIRONMENTAL MANAGEMENT PROJECT PHASE III
(LVEMP III) PROJECT PREPARATORY ADVANCE, PROJECT No.V1570 - KE**

IMPLEMENTING ENTITY: MINISTRY OF ENVIRONMENT & FORESTRY

PROJECT GRANT/CREDIT NUMBER: V1570 - KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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

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Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-KE
Annual Report and Financial Statements for the financial year ended June 30, 2022

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*Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-KE
Annual Report and Financial Statements for the financial year ended June 30, 2022*

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: *Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Credit No.V1570-KE*

Objective: The key objective of the project is to strengthen governance and climate resilience in Tran’s boundary environmental and Natural Resource Management in the Lake Victoria Basin and reduce land degradation and pollution as well as livelihood improvements in selected hotspot areas.

Address: The project headquarter offices are in Nyanza Regional Headquarters, 11th Floor; Kisumu – Kenya.

The address of its registered office is: 9220-40100 Kisumu

Contacts: The following are the project contacts

Telephone: (254) 572020563

E-mail: lvempke@gmail.com

Website: www.lvempkenya.org

1.2 Project Information

Project Start Date:	The project start date is 01. 01. 2018
Project End Date:	The project end date is 31. 12. 2019
Project Manager:	The project manager is Mr. John Saranga
Project Sponsor:	The project sponsor is World Bank/GoK

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Environment and Forestry Ministry.
Project Number	V1570 – KE
Strategic goals of the project	The strategic goals of the project are as follows: <ul style="list-style-type: none"> a) Strengthening co-operative management of trans-boundary natural resources and Climate Change. b) Promote Climate resilience through Sustainable land and water resource management in selected soil erosion hotspots c) Compliance Enforcement, Monitoring and prevention of pollution

<p>Achievement of strategic goals</p>	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> a) Improve regional information services on water quality and ecosystem health. b) Promotion of Climate Change Mitigation and adaptation measures and resilience strengthening in LVB c) Regional investment planning for improved water quality and eco-system services d) Strengthen LVBC's capacity to deliver on its mandate to coordinate management of water quality in Lake Victoria Basin e) Climate-resilient land and water resource management f) Control of water hyacinth and other invasive weed species g) Monitoring natural resources and Eco-system health h) Water quality and quantity monitoring and assessment i) Strengthening environmental regulatory systems j) Construction, Rehabilitation and improvement of point source pollution using innovative and cost effective technologies infrastructure and wastewater treatment facilities k) Up scaling resource efficient and cleaner production technology in industries
<p>Other important background information of the project</p>	<p>The East Africa Community (EAC) Council of Ministers identified and designated the Lake Victoria Basin as a common economic growth zone in 2003/2004 to be collaboratively managed by the Partner States. EAC Partner States, therefore, established the Lake Victoria Basin Development Programme which spearheaded the Lake Victoria Environmental Management Project (LVEMP) as a long-term regional programme of the EAC regionally coordinated by the Lake Victoria Basin Commission (LVBC). The institution is a specialized institution of the EAC established by the Protocol for Sustainable Development of Lake Victoria Basin signed on 29th November 2003 and implemented by the five EAC Partner States of Burundi, Kenya, Rwanda, Tanzania and Uganda.</p> <p>The 1st Phase of LVEMP involved the Republic of Kenya, United Republic of Tanzania and Republic of Uganda and was implemented from 1997 to 2005. The 2nd phase (LVEMP II) (2009 to 2017) involved the Partner States of Kenya, Tanzania and Uganda under Adjustable Lending Program 1 (APL1) which ended on 31st December 2017. Upon closure of LVEMP II, the Government of Kenya and The World Bank signed a Financing Agreement for LVEMP III project Preparatory Advance (PPA) but this was cancelled by The World Bank before it was fully implemented. Based on the benefits generated and lessons learnt under the 1st and 2nd phases of LVEMP, Kenya has committed to the implementation of a follow-on project namely Lake Victoria Climate Resilience and Environmental Management Project III (LVCREMP) and subsequently a Cabinet Memorandum has been approved by the Cabinet prioritizing the new project</p>

**Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-KE
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Current situation that the project was formed to intervene	The Lake Victoria Basin (LVB) is an important and strategic ecological and economic zone for the country. The Basin carries about 30% (about 14.5 million) of the country's total population who depend on the lake and other natural resources within the basin for their livelihoods. Agriculture remains the backbone of the economy supporting over 80% of the population. The basin is rich in natural and social capital with the main primary productive sectors being; water, agriculture (crops and livestock) fisheries, forestry, mining, energy (hydroelectric production at Sondu Miriu at 60 MW and Sangoro at 20 MW), tourism, trade and industry. It is worth noting that Sondu Miriu operates at 50% capacity as a result of land degradation in the Mau catchment. The LVB tree cover for lakeshore counties varies between 0.4-2.5percent which is far below the constitutional requirement of at least 10% tree cover. This makes the basin a net importer of forest/tree product and also vulnerable to agents of degradation. Lake Victoria Basin and its major catchments are among the most threatened habitat types in the world. Over the coming decades, biodiversity loss, climate change, environmental degradation and water shortages are expected to be among the world's greatest
Project duration	The project started on 1st January 2018 and was expected to run until 31 December 2019 but The World Bank terminated the Financing Agreement on 2 nd October 2019 before the project preparations were completed

1.4 Bankers

The following are the bankers for the current year:

- (i) Co-operative Bank of Kenya – The National Treasury granted an approval to close the donor fund account (The Co-operative Bank A/c No.01141294300200, Kisumu branch) vide Treasury Letter Ref AG.3/86 VOL36/ (30) on 14th February, 2022. The account has since been closed
- (ii) Standard Chartered Bank, Kenyatta avenue branch, Nairobi.

1.5 Auditors

The project is audited by the Auditor General (OAG)

1.6 Roles and Responsibilities

List of people working on the project.

Names	Title designation	Key qualification	Responsibilities
John Saranga	Ag. National Project Coordinator	Bsc –Water Engineering.	In charge of the project

**Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-KE
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Names	Title designation	Key qualification	Responsibilities
Enock Maticha	Project Accountant	B.COM (Finance), CPA (K)	Financial Management
Humphrey Okusimba (Left the project in February 2020)	Monitoring and Evaluation Officer	Masters – Economics	Monitoring and Evaluation
Rodrick Kundu (Left the project in February 2020)	Fisheries Specialist	Masters- Fisheries Management	Technical experts: Fisheries activities
Engineer Isaac Ngugi (Left the project in August 2021)	Agriculture Specialist	BSc-Agricultural Engineering	Technical experts: Agriculture and Live 5stock activities
Maurice Wanyiri (Left the project in May 2020)	Natural Resource Management specialist	Masters -Environmental Planning Management	Technical experts: Forestry
Solomon Kihiu (Left the project in January 2020)	Environment Specialist	Masters – Environmental Science	Technical experts: Environmental management
Florence Nyangau'	Procurement Officer	Diploma - Supplies Management.	In charge of Supplies Chain Management
Evans Kweyu	Accounts Assistant	Diploma- Management	Accounts
Elisha Nduga	Procurement Officer	Diploma – Supply Chain Management	Supply chain management
Evelyn Mwikali	Administrative Assistant	Diploma – Business administration	Supports NPCT
Stephen Oketch	Senior Lab Technologist	Higher National Diploma – Applied biology	Water quality and pollution monitoring
Reuben Kuto	Senior Lab Technologist	Higher National Diploma – Analytical Chemistry.	Water quality and pollution monitoring
John Okere (Left the project in February 2020)	Chief Hydrologist Assistant	Diploma – Surface water	Metrological and water quantity assessment.

1.7 Funding summary

The Project was for duration of 2 years from 2018 to 2019 with an approved budget of US\$ 2,428,000 (use donor currency) equivalent to Kshs **242,800,000** as highlighted in the table below:

Below is the funding summary:

Project information and overall performance (continued)

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date -- (30. 06. 2022)		Undrawn balance to date	
	Donor currency USD	KShs	Donor currency USD	KShs	Donor currency USD	KShs
(i) Grant	(A)	(A')	(B)	(B')	(A)-(B)	(A)-(B)
IDA-World Bank	1,900,000	190,000,000	395,232	39,891,145	1,501,088.55	150,108,855
(ii) Counterpart funds						
Government of Kenya 10% of Donor	528,000	52,800,000	554,420	55,442,000	-	-
Total	2,428,000	242,800,000	953,331	95,333,145	1,501,088.55	150,108,855

NOTE: The project ended in October, 2019 and beginning 1st July 2020, no donor (IDA) funding has been received to date.

Application of Funds

Application of funds	Amount received to date – (30 th June 2022)		Cumulative Amount paid to date – (30 th June 2022)	Unutilised balance to date (30. 06. 2022)	
	Donor currency	Kshs		Donor currency	Kshs
	(A)	(A')	(B')	(A)-(B)	(A')-(B')
(i) Grant					
IDA – World Bank	398,911	39,891,145	39,891,145.00	-	-
(i) Counterpart funds					
Government of Kenya	554,420	55,442,000	54,357,954.10	\$10,840.46	1,084,045.90
Total	\$953,331	95,333,145	94,249,099.10	\$10,840.46	1,084,045.90

Project information and overall performance (continued)

1.8 Summary of Overall Project Performance:

The project was formulated to prepare for the third phase of LVEMP; activities undertaken include Baseline surveys, hydromet assessments as well as hotspots identification and mapping. The project was cancelled on 2nd October 2019 by The World Bank

1.9 Summary of Project Compliance:

No cases of non-compliance

2. Statement of Performance against Project's Predetermined Objectives

The Project Development Objective (PDO) is to strengthen governance and climate resilience in environmental and Natural Resource Management in Kenya's LVB and reduce land degradation and pollution as well as livelihood improvements in selected hot spots. The PDO makes advancement in the focal area by supporting and promoting watershed management approach and climate resilience of the Lake Victoria water system through the implementation of policy, legal, and institutional reforms and investments that contribute to sustainable use and maintenance of Kenya's LVB's ecosystem services

The Project Preparatory Advance (PPA) for LVEMP III was cancelled on 2nd October 2019 by the World Bank. Prior to the cancellation, the Bank called for a temporary pause in the preparations and therefore the activities which required input from the Bank were shelved. The objectives of the project were therefore not met except some preparatory activities which were done before the World Bank Pause and subsequently, termination.

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key development objectives of the *project's 2018-2022* plan are to:

- a) Strengthening management of natural resources and climate change in the basin
- b) Promote climate resilience through sustainable land and water resource management in selected soil erosion hotspots
- c) Compliance Enforcement and prevention of pollution

Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

*Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-KE
Annual Report and Financial Statements for the financial year ended June 30, 2022*

Project	Objective	Outcome	Indicator	Performance
Lake Victoria Environmental Management Project	To strengthen governance and climate resilience in environmental and Natural Resource Management in Kenya's LVB and reduce land degradation and pollution as well as livelihood improvements in selected hotspot areas	Population benefited from ENRM practices supported by the Project Reduction in discharge of untreated effluents into Lake Victoria Share of targeted beneficiary adopting improved livelihood and climate resilient land linked practices	% population benefiting No. of functional infrastructure No. of hectares of land under ENRM	The World Bank cancelled the project at the preparatory phase

3. Environmental and Sustainability Reporting

Lake Victoria Environmental Management Program (LVEMP) was a regional phased program implemented in selected sub-catchments and hotspots in the five Partner states within the Lake Victoria Basin.

The program was implemented with the technical and financial Support of the World Bank, Swedish International Development Agency (SIDA), Global Environment fund (GEF), East African Community (EAC) and its Partner States.

The first phase (LVEMP I, 1996-2005) greatly improved the understanding of the environmental challenges faced by the Lake and its basin, and piloted watershed rehabilitation and reducing water hyacinth infestation

Building on these results, the second phase (LVEMP II, 2009- 2017) prioritized the environmental threats in the Lake, tested a variety of interventions in pollution and watershed management (including municipal and industrial river basins) and strengthened regional collaboration for improved management of the basin.

Some of the achievements of LVEMP II include:- (i) Investments aimed at addressing non-point sources of pollution that include soil and water conservation on farms, wetland rehabilitations, and forest rehabilitation; (ii) Investments aimed at addressing point sources of pollution that include expansion/rehabilitation/construction of waste water treatment facilities in Kisumu, Homa Bay and Bomet towns respectively; provision of 12No. waste water exhauster trucks donated to Busia, Siaya, Nandi, Kisumu, Kericho, Homa Bay, Migori and Kisii Counties; construction of 30 bio-toilets in public institutions; preparation of feasibility studies and detailed designs for new waste water treatment facilities for Oyugis and Londiani towns; and for artificial wetlands for KISAT and Homa Bay waste water treatment facilities and special sewer lines to offload waste water from vessels in Kisumu and Homa Bay Ports; and engagement with industries in the basin to embrace resource efficient cleaner production (RECP).

LVEMP II closed on 31st December, 2017. The Government of Kenya and The World Bank agreed to a possible LVEMP III and signed a Financing Agreement for a Project Preparatory Advance (PPA). A project preparation road map was developed but its implementation was not successfully done.

Initially, The World Bank called for a temporary pause in the preparation of several World Bank regional projects, among them LVEMP III, to give them time to take stock of the Bank projects in the region. During the period of the pause which lasted for almost a year, some activities in the road map could not be implemented because The Bank was not giving the technical support as per the obligations in the Financing Agreement. Further, The World Bank cancelled the LVEMP III preparations in October 2019 and advised against further use of donor funds.

4. Statement of Project Management Responsibilities

The *Principal Secretary* for the Ministry of Environment and Forestry and the *National Project Coordinator* for ***Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-KE*** 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 period ended on *June 30, 2022*. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 Environment and Forestry and the *National Project Coordinator* for ***Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-KE*** 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 Environment and Forestry and the *National Project Coordinator* for ***Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-K*** 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 period ended *June 30, 2022*, and of the Project's financial position as at that date. The *Principal Secretary* for the Ministry of Environment and Forestry and the *National Project Coordinator* for ***Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-KE*** 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.

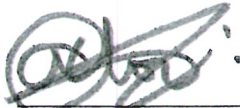
The *Principal Secretary* for the Ministry of Environment and Forestry and the *National Project Coordinator* for ***Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-KE*** that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

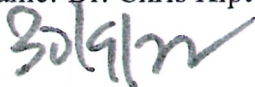
The Project financial statements were approved by the *Principal Secretary* for the Ministry of Environment and Forestry and the *National Project Coordinator* for ***Lake Victoria Environmental Management***

*Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-KE
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*Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-KE on
28/10/2022 and signed by them.*



Principal Secretary
Name: Dr. Chris Kiptoo

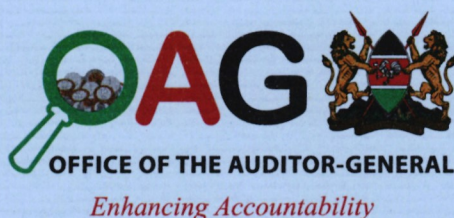


Project Coordinator
Name: John Saranga



Project Accountant
Name: Enock Maticha
ICPAK Member Number: 23310

REPUBLIC OF KENYA



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REPORT OF THE AUDITOR-GENERAL ON LAKE VICTORIA ENVIRONMENTAL MANAGEMENT PROJECT PHASE III (LVEMP) PROJECT PREPARATORY ADVANCE NO. V1570 - KE FOR THE YEAR ENDED 30 JUNE, 2022 - MINISTRY OF ENVIRONMENT AND FORESTRY

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Lake Victoria Environmental Management Project Phase III (LVEMP) set out on pages 1 to 44, which comprise of the statement of financial assets as at 30 June 2022, and the statement of receipts and payments, statement of cash flows and 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 Lake Victoria Environmental Management Project Phase III as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement No. V1570 dated 27 June, 2018 between the International Development Agency and the Republic of Kenya and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unauthorised Expenditure and Sustainability of Phase III of the Project

As reported in the previous year, under the statement of receipts and payments, the project received Kshs.10,000,000 being the Government of Kenya Counterpart funding. The International Development Agency (IDA) vide letter dated 2 October, 2019 addressed to the National Treasury and the Ministry of Environment and Forestry had communicated its decision to stop the project activities and funding as it reviews its regional integration strategy in Sub-Saharan Africa.

In addition, most of the reported Project's expenditure related to domestic travel and allowances totalling to Kshs.3,240,064, printing, advertisement, and other information supplies expenditure of Kshs.1,206,452, other operating expenses amounting to Kshs.1,674,756 which related to payment for security, taxes and other miscellaneous expenses. However, these expenditures were not supported by an approved annual workplan.

In the circumstances, the accuracy, relevance to project's objectives and ability of the project to continue to sustain its services is doubtful.

2. Pending Accounts Payable

Notes 12.1 and 12.2 on other important disclosures to the financial statements reflects pending accounts payables and pending staff payables of Kshs.326,199 and Kshs.13,572,000 due to suppliers and staff respectively all relating to 2019/2020 and earlier years. However, Management has not provided any reason for non-payment of the bills or explained how the bills will be cleared given that the project is no longer funded by the donor.

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

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Lake Victoria Environmental Management Project Phase III Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal 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 International Development Agency (IDA) and the preparatory advance Credit Number V 1570, 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 Management as so far as appears from the examination of those records; and,
- iii. The Project financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal 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 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 Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls 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 Project's 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 continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner 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

22 November, 2022

6. Statement of Receipts and Payments for the year ended 30th June 2022.

	Note	2021-2022		2020-2021		Total	Cumulative to-date (From inception)
		Receipts and payments controlled by the entity	Payments made by third parties	Receipts and payment controlled by the entity	Payments made by third parties		
Receipts		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Transfer from Government entities	1	10,000,000		10,000,000		11,500,000	55,442,000
Proceeds from domestic and foreign grants	2	-		-		-	-
Loan from external development partners	3	-		-		-	39,891,145
Miscellaneous receipts	4	-		-		-	-
Total receipts		10,000,000		10,000,000		11,500,000	95,333,145
Payments							
Compensation to employees	5	960,000.00		960,000.00		-	18,850,790
Purchase of goods and services	6	8,234,418.10		8,234,418.10		2,917,158	66,490,309.10
Social security benefits	7	-		-		-	-
Acquisition of non-financial assets	8	-		-		8,908,000	8,908,000
Total payments		9,194,418.10		9,194,418.10		11,825,158	94,249,099.10
Surplus/ (deficit)		805,581.90		805,581.90		(325,158)	1,084,045.90

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

*Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No. V1570-KE
Annual Report and Financial Statements for the financial year ended June 30, 2022*


.....

Name: Dr. Chris Kiptoo
Principal Secretary

20/9/22


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Name: John Saranga
Project Coordinator


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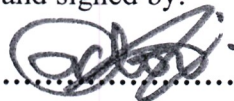
Name: Enoch Maticha
Project Accountant

ICPAK Member No: 23310

7. Statement of Financial Assets as at 30th June 2022

Description	Note	2021-2022	2020-2021
		Kshs	Kshs
Financial Assets			
Cash and Cash equivalents			
Bank Balances	11.A	1,084,008.90	277,223
Cash Balances	11. B	37.00	1,241
Cash equivalents (Short-term deposits)	11.C	-	-
Total Cash and Cash equivalents		1,084,045.90	278,464
Imprests and Advances	12	-	-
Total Financial Assets		1,084,045.90	278,464
Financial Liabilities			
Deposits and Retention monies	13	-	-
Net Assets		1,084,045.90	278,464
Represented By			
Fund Balance B/fwd.	14	278,464	603,622
Prior Year adjustments	15	-	-
Surplus/(Deficit) for the Year		805,581.90	(325,158)
Net Financial Position		1,084,045.90	278,464

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 29/10/2022 and signed by:



Name: Dr. Chris Kiptoo
 Principal Secretary





Name: John Saranga
 Project Coordinator



Name: Enock Maticha
 Project Accountant

ICPAK Member No: 23310

*Lake Victoria Environmental Management Project Phase III (LVEMP III) Project
Preparatory Advance, Project No.V1570-KE
Annual Report and Financial Statements for the financial year ended June 30, 2022*


8. Statement of Cashflow for the year ended 30th June 2022

Description	Notes	2021-2022	2020-2021
		Kshs	Kshs
Cashflow from operating activities			
Receipts			
Transfer from government entities	1	10,000,000	11,500,000
Proceeds from domestic and foreign grants	2	-	-
Miscellaneous receipts	4	-	-
Total receipts		10,000,000	11,500,000
Payments			
Compensation of employees	5	960,000.00	-
Purchase of goods and services	6	8,234,418.10	2,917,158
Social security benefits	7	-	-
Transfers to other government entities	9	-	-
Other grants and transfers	10	-	-
Total Payments		9,194,418.10	2,917,158
Adjustments during the year			
Prior year adjustments	15	-	-
Decrease/(increase) in accounts receivable	16	-	-
Increase/(decrease) in accounts payable:	17	-	-
Net cash flow from operating activities		805,581.90	8,582,842
Cashflow from investing activities			
Acquisition of non-financial assets	8	-	8,908,000
Net cash flows from investing activities		805,581.90	(325,158)
Cash flow from financing activities			
Proceeds from foreign borrowings	3	-	-

**Lake Victoria Environmental Management Project Phase III (LVEMP III) Project
 Preparatory Advance, Project No.V1570-KE
 Annual Report and Financial Statements for the financial year ended June 30, 2022**


Description	Notes	2021-2022	2020-2021
		Kshs	Kshs
Net cash flow from financing activities		-	-
Net increase in cash and cash equivalents		805,581.90	(325,158)
Cash and cash equivalent at beginning of the year	11	278,464.00	603,622
Cash and cash equivalent at end of the year	11	1,084,045.90	278,464

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 29/10/2022 and signed by:




Name: Dr. Chris Kiptoo
Principal Secretary





Name: John Saranga
Project Coordinator



Name: Enock Maticha
Project Accountant
ICPAK Member No: 23310

Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No. V1570-KE Annual Report and Financial Statements for the financial year ended June 30, 2022

9. Statement of Comparison of Budget and Actual amounts for the year ended 30th June 2022

Receipts/Payments Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
Receipts						
Transfer from Government entities	10,000,000	-	10,000,000	10,000,000	-	100%
Proceeds from domestic and foreign grants	-	-	-	-	-	
Proceeds from borrowings	-	-	-	-	-	
Miscellaneous receipts	-	-	-	-	-	
Total Receipts	10,000,000	-	10,000,000	10,000,000	-	100%
Payments						
Compensation to employees	960,000		960,000	960,000.00	-	100%
Purchase of goods and services	9,040,000		9,040,000	8,234,418.10	805,581.90	92%
Social security benefits	-		-	-	-	-
Acquisition of non-financial assets	-		-	-	-	-
Transfers to other government entities	-		-	-	-	-
Other grants and transfers	-		-	-	-	-
Total Payments	10,000,000	-	10,000,000	9,194,418.10	805,581.90	92%
Surplus or Deficit	-	-	-	805,581.90	-	-

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


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Name: Dr. Chris Kiptoo
Principal Secretary




.....

Name: John Saranga
Project Coordinator


.....

Name: Enock Maticha
Project Accountant
ICPAK Member No: 23310

10. Significant Accounting Policies

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

10.1 Statement of compliance and basis of preparation

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

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

10.2 Reporting entity

The financial statements are for (*Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-KE*) under the State Department of Environment and Forestry. The financial statements are for the reporting entity (*Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-KE*) as required by Section 81 of the PFM Act, 2012 .

10.3 Reporting currency

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

10.4 Recognition of receipts

(*Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-KE*) recognises all receipts from the various sources when the event occurs, and the related cash has actually been received.

i) Transfers from the Exchequer

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

ii) External Assistance

External assistance is monies 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 at the time associated cash is received.

iv) 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.

v) Proceeds from borrowing

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

vi) 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.

10.5 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 to employees

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

Significant Accounting Policies (Continued)

ii) Use of goods and services

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

iii) Interest on borrowing

Borrowing costs that include interest are recognized as payment in the period in which they incur 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.

10.6 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)

10.7 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.

10.8 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.

10.9 Imprests and Advances

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

10.10 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:

Significant Accounting Policies (Continued)

- 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.

Annex 5 of this financial statement is a register of the contingent liabilities in the year.

10.11 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.

10.12 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' 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.

Significant Accounting Policies (Continued)

10.13 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*.

10.14 Third party payments

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments. and are disclosed in the payment to third parties' column in the statement of receipts and payments. During the year, Kshs...billion being loan disbursements were received in form of direct payments from third parties.

10.15 Exchange rate differences

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

Significant Accounting Policies (Continued)

10.16 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.

10.17 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 June 30, 2022.

10.18 Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). Explanations and details of these prior period adjustments are presented *in note 15 of these financial statements*

*Lake Victoria Environmental Management Project Phase III (LVEMP III) Project
Preparatory Advance, Project No.V1570-KE
Annual Report and Financial Statements for the financial year ended June 30, 2022*

11. Notes to the Financial Statements

1. Transfers from Government entities

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

Description	KShs	KShs	Cumulative to-date (from inception)
	2021-2022	2020-2021	
<i>Counterpart funding through Ministry of Environment and Forestry</i>			
Counterpart funds Quarter 1	5,000,000	5,000,000	55,442,000
Counterpart funds Quarter 2	-	-	-
Counterpart funds Quarter 3	-	5,000,000	-
Counterpart funds Quarter 4	5,000,000	1,500,000	-
Total (See Annex 2)	10,000,000	11,500,000	55,442,000
<i>Other transfers from government entities</i>			
Ministry	-	-	-
Total	-	-	-
Appropriations-in-Aid	-	-	-
Total	10,000,000	11,500,000	55,442,000

Notes to the Financial Statements (Continued)

2. Proceeds From Domestic and Foreign Grants

During the financial period 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 received in kind	Total amount in Kshs	
						2021-2022 Kshs	2020-2021 Kshs
Grants Received from Bilateral Donors (Foreign Governments)			Kshs	Kshs	Kshs		
Insert name of foreign Government							
Grants Received from Multilateral Donors (International Organizations)							
Insert name of international organization							
Grants Received from Local Individuals and organizations							
Insert name of individual or local organization							
Total							

Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-KE Annual Report and Financial Statements for the financial year ended June 30, 2022

Notes to the Financial Statements (Continued)

3. Loan from External Development Partners

During the financial period to 30 June 2022, we received funding from development partners in form of loans negotiated by the National Treasury as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in Kshs	
					2021-2022	2020-2021
Loans received from bilateral Donors (Foreign Governments)			Kshs	Kshs		
Loans received from Multilateral Donors (International Organizations)						
Total						

Note: There were no donor funding during the financial year 2021/2022

Notes to the Financial Statements (Continued)

4. Miscellaneous receipts

	2021-2022			2020/2021	Cumulative to- date (from inception)
	Receipts controlled by the entity in Cash Kshs	Receipts controlled by third parties Kshs	Total receipts Kshs	Total receipts Kshs	
Property income					
Sales of goods and services					
Administrative fees and charges					
Fines, penalties, and forfeitures					
Voluntary transfers other than grants					
Other receipts not classified elsewhere					
Total					

Note: There were no miscellaneous receipts during the year

Notes to the Financial Statements (Continued)

5. Compensation to Employees

	2021/2022			2020/2021		Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total payments	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
-	-	-	-	-	-	8,715,533
Basic salaries of permanent employees	-	-	-	-	-	396,919
Basic wages of temporary employees	-	-	-	-	-	8,778,338
Personal allowances paid as part of salary	-	-	-	-	-	-
Personal allowances paid as reimbursements	-	-	-	-	-	-
Personal allowances provided in kind	-	-	-	-	-	-
Other personnel payments/top-up allowances	960,000	-	960,000	960,000	-	960,000
Total	960,000	-	960,000	960,000	-	18,850,790

Notes to the Financial Statements (Continued)

6. Purchase of Goods and Services

	2021/2022		2020/2021	Cumulative to-date
	Payments made in Cash Kshs	Payments made by third parties Kshs		
Utilities, supplies and services	-	-	-	2,320,760.00
Communication, supplies and services	969,391.60		-	5,771,758.60
Domestic travel and subsistence	3,240,064.00		1,762,770	36,900,724.00
Foreign travel and subsistence	-		-	1,383,967.00
Printing, advertising, and information supplies	1,206,452		180,600	4,817,126.10
Rentals of produced assets	-		-	5,000.00
Training payments	164,400		-	673,060.00
Hospitality supplies and services	374,742		345,400	4,143,878.90
Insurance costs	-		-	-
Specialized materials and services	-		-	-
Other operating payments/costs	1,674,755.50		33,314	3,633,086.50
Routine maintenance – vehicles and other transport equipment	604,613		325,512	2,958,786.00
Office operating costs	-		269,562	269,562.00
Routine maintenance – other assets	-		-	3,612,600.00
Exchange rate losses/gains (net)	-		-	-
Total	8,234,418.10	-	2,917,158	66,490,309.10

Notes to the Financial Statements (Continued)

7. Social Security Benefits

	2021-2022			2020-2021	Cumulative to- date
	Payments made by the Entity in Cash Kshs	Payments made by third parties Kshs	Total Payments Kshs	Total Payments Kshs	
Government pension and retirement benefits					Kshs
Social security benefits in cash and in kind					
Employer social benefits in cash and in kind					
Total					

Notes to the Financial Statements (Continued)

8. Acquisition of Non-Financial Assets

	Payments made in Cash	Payments made by third parties	Total payments		Cumulative to-date
			2021-2022	2020-2021	
	Kshs.	Kshs.	Kshs	Kshs	Kshs
Purchase of buildings					
Construction of buildings					
Refurbishment of buildings					
Overhaul & refurbishment of construction and civil works					
Purchase of vehicles & other transport equipment					
Overhaul of vehicles & other transport equipment					
Purchase of household furniture & institutional equipment					
Purchase of office furniture & general equipment					
Purchase of specialised plant, equipment and machinery	-	-	-	8,908,000	8,908,000
Rehabilitation & renovation of plant, equipment & machinery					
Total	=	=	=	8,908,000	8,908,000

Notes to the Financial Statements (Continued)

9. Transfers to other Government Entities

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

	Payments made in Cash	Payments made by third parties	Total payments	Total payments	Cumulative to-date
	2021-2021	2021-2021	2021-2021	2021-2020	
	Kshs	Kshs	Kshs	Kshs	Kshs
Transfers to National Government entities					
Ministry ...					
Project					
Transfers to County Governments					
County					
County					
Total					

Note: There were no transfers to other Government entities

Notes to the Financial Statements (Continued)

10. Other Grants, Transfers and Payments

	Payments made in Cash	Payments made by third parties	Total payments	Total payments	Cumulative to-date
		2022-2021		2020-2021	
	Kshs	Kshs	Kshs	Kshs	Kshs
Grants for scholarships					
Transfers to lower levels of government e.g. schools					
Miscellaneous payments					
Total					

Note: There were no other grants and transfer and payments

Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-KE

Annual Report and Financial Statements for the financial year ended June 30, 2022

Notes to the Financial Statements (Continued)

11. Cash And Cash equivalents

Description	2021-2022	2020-2021
	Kshs	Kshs
Bank accounts (Note 8.13A)	1,084,008.90	277,223
Cash in hand (Note 8. 13B)	37.00	1,241
Cash equivalents (short-term deposits) (Note 8.13C)	-	-
Total	1,084,045.90	278,464

(Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-KE) has one project account within the project implementation area as listed below:

11. A Bank Accounts

Project Bank Accounts

Details	2021-2022	2020-2021
	Kshs	Kshs
<u>Foreign Currency Accounts</u>		
Central Bank of Kenya [A/c No.....]		
Kenya Commercial Bank [A/c No.....]		
Co-operative Bank of Kenya [A/c No.....]		
Others (<i>specify</i>)		
Total Foreign Currency balances		
<u>Local Currency Accounts</u>		
Standard Chartered Bank [A/c No.0108093570904] (Cash book)	1,084,008.90	274,992
Co-operative Bank of Kenya [A/c No.01141294300200]	-	2,231
Others (<i>specify</i>)	-	-
Total local currency balances	1,084,008.90	277,223
Total bank account balances	1,084,008.90	277,223

Note: The Co-operative Bank A/c No.01141294300200, Kisumu branch has officially been closed following The National Treasury authority issued on 14th February, 2022.

Notes to the Financial Statements (Continued)

Special Deposit Accounts

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

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

Special Deposit Accounts Movement Schedule

Description	2021-2022	2020-2021
	Kshs	Kshs
(i) A/C Name [A/c No.....]		
Opening balance		
Total amount deposited in the account		
Total amount withdrawn (as per Statement of Receipts & Payments)		
Closing balance (as per SDA bank account reconciliation attached)	=	=
(ii) A/c Name [A/c No.....]		
Opening balance (as per the SDA reconciliation)		
Total amount deposited in the account		
Total amount withdrawn (as per Statement of Receipts & Payments)		
Closing balance (as per SDA bank account reconciliation attached)	=	=

(The Special Deposit Account(s) reconciliation statement(s) has (have) been attached as Appendix...to support these closing balance.

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Notes to the Financial Statements (Continued)

11 B Cash in hand

Description	2021-2022	2020-2021
	KShs	KShs
LVEMP III Cash office	37.00	1,241
Location 2		
Location 3		
Other locations (<i>specify</i>)		
Total cash in hand balances	37.00	1,241

11 C Cash equivalents (short-term deposits)

Description	2021-2022	2020-2021
	Kshs	Kshs
Kenya Commercial Bank [A/C No.....]		
Co-Operative Bank of Kenya [A/C No.....]		
Others (<i>Specify</i>)		
Total		

12. Imprests and Advances

Description	2021-2022	2020-2021
	Kshs	Kshs
Government Imprests		
Salary advances		
Total		

Notes to the Financial Statements (Continued)

13. Deposits and Retention Monies

Description	2021-2022	2020-2021
	Kshs	Kshs
Retention	-	-
Deposits	-	-
Total	-	-

Note: There were no deposits and retention monies

14. Fund Balance Brought Forward

Description	2021-2022	2020-2021
	Kshs	Kshs
Bank accounts	277,223	602,381
Cash in hand	1,241	1,241
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
Total	278,464	603,622

Notes to the Financial Statements (Continued)

15. Prior Year adjustment

	Balance b/f FY (2020/2021 audited financial statements)	Adjustments	Adjusted balance b/f FY 2020/2021
Description of the error	Kshs	Kshs	Kshs
Bank account Balances -			
Cash in hand			
Accounts Payables			
Receivables			
Others (<i>specify</i>)			
Total			

16. Changes in Receivable

Description	2020-2021	2019-2020
	Kshs	Kshs
Opening Receivables as at 1 st July 2021	-	-
Closing account receivables as at 30 th June 2022		
Change in Receivables	-	-

Note: There were no accounts receivables

17. Changes in Accounts Payable

Description	2021-2022	2020-2021
	Kshs	Kshs
Deposit and Retentions as at 1 st July 2021	-	-
Closing accounts payables as at 30 th June 2022		
Change in payables	-	-

Note: There were no accounts payables

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12. Other Important Disclosures

1. Pending Accounts Payable (See Annex 3a)

	Balance b/f FY 2020/2021	Additions for the period	Paid during the year	Balance c/f FY 2021/2022
Description	Kshs	Kshs	Kshs	Kshs
Construction of buildings	-	-	-	-
Construction of civil works	-	-	-	-
Supply of goods	2,487,569	87,800	2,249,170.50	326,198.50
Supply of services	-	-	-	-
Total	2,487,569	87,800	2,249,170.50	326,198.50

2. Pending Staff Payables (See Annex 3b)

	Balance b/f FY 2020/2021	Additions for the period	Paid during the year	Balance c/f FY 2021/2022
Description	Kshs	Kshs	Kshs	Kshs
Senior management	-	-	-	-
Middle management	14,532,000	-	960,000	13,572,000
Union employees	-	-	-	-
Others	-	-	-	-
Total	14,532,000	-	960,000	13,572,000

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Other Important Disclosures (Continued)

3. Other Pending Payables (See Annex 3c)

	Balance b/f FY 2020/2021	Additions for the period	Paid during the year	Balance c/f FY 2021/2022
Description	Kshs	Kshs	Kshs	Kshs
Amounts due to National Government entities				
Amounts due to County Government entities				
Amounts due to third parties				
Total	-	-	-	-

4. External Assistance

	2021-2022	2020-2021
Description	Kshs	Kshs
External assistance received as grants	-	-
External assistance received as loans	-	-
External assistance received in kind- as payment by third parties	-	-
Total	-	-

a). External assistance relating loans and grants

	FY 2021/2022	FY 2020/2021
Description	Kshs	Kshs
External assistance received as loans	-	-
External assistance received as grants	-	-
Total	-	-

Other Important Disclosures (Continued)

b) Undrawn external assistance

	Purpose for which the undrawn external assistance may be used	FY 2021/2022	FY 2020/2021
Description		Kshs	Kshs
Undrawn external assistance - loans		-	-
Undrawn external assistance - grants		-	-
Total		-	-

c) Classes of providers of external assistance

	FY 2021/2022	FY 2020/2021
Description	Kshs	Kshs
Multilateral donors		
Bilateral donors		
International assistance organization		
NGOs		
National Assistance Organization		
Total	-	-

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13. Prior Year Auditor-General's Recommendations

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)
20	<p>SUSTAINABILITY OF PHASE III OF THE PROJECT:</p> <p>As reported in the previous year, under the statement of receipts and payments, the project received Kshs.10,000,000 (2020- Kshs.13,000,000) being the Government of Kenya counterpart funding. The International Development Agency (IDA) vide its letter dated 2 October, 2019 addressed to The National Treasury and the Ministry of Environment and Forestry had communicated its decision to stop the Project activities and funding as it reviews its regional integration</p>	<p>It's true the World Bank cancelled the LVEMP III Project Preparatory Advance (PPA) on 2nd October 2019 and to date the Project does not have donor funds. The LVEMP phase III books of Accounts will be closed after settling the pending bills which were left behind when the Project closed.</p> <p>Currently, arrangements have been started for closing the LVEMP III Project preparatory Advance (PPA) account. <i>Authority letter by the National Treasury to close the donor account is attached. Appendix 20(i).</i></p> <p><i>In order to continue with intervention activities in the Lake Victoria Basin after dropping of LVEMP III, two-fold approaches are being pursued as below:</i></p> <p>1. The Ministry of Environment & Forestry prepared a concept for a successor project, namely</p>	<p>Appeared before the Parliamentary Accounts Committee (PAC) and we are waiting for the PAC recommendation report.</p>	<p>Within six (6) months</p>

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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)
	<p>strategy in Sub-Saharan Africa.</p> <p>Consequently, the ability of the Project to continue to sustain its services is in doubt.</p>	<p><i>Lake Victoria Climate Resilience and Environmental Management Project (LVCREMP). The Cabinet approved the Project on 25th February, 2021 and the approval letter was sent to the National Treasury for resource mobilization to establish the new project. Discussions on the same are ongoing. This planned Project will be a National Project and will continue to address the myriad of challenges which LVEMP Program has been addressing. Cabinet Memo attached. Appendix 20(ii);</i></p> <p>2. <i>Lake Victoria Basin Commission (LVBC) has engaged The World Bank on a new Project, named Lake-wide Inclusive Sanitation (LWIS).</i></p>		

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		<p><i>LWIS will allow for providing a range of options across the sanitation and environmental service chain to ensure reduced pollution in the Basin. In this approach, the Ministry of water, Sanitation & Irrigation has been identified as the lead Ministry in the new program. A letter responding to the request by State Department of Water Services and Sanitation to acquire LVEMP assets for use in the new program of LWIS is hereby attached Appendix 20(iii).</i></p>		
21	<p>INACCURACIES IN THE FINANCIAL STATEMENTS: The statement of receipts and payments reflects</p>	<p>The downward adjustment of cumulative payments for Compensation of employees and purchase of goods and services figures for the years ended 30th June, 2021</p>	<p>Appeared before the Parliamentary Accounts Committee</p>	<p>Within six (6) months</p>

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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)
	<p>adjusted cumulative figures in respect of payments whose adjustments as detailed below have not been explained.</p> <p>Although the Management has explained that the adjustments were due to stale cheques not paid in cashbook, no evidence has been provided in support of the adjustments. In addition, the adjusted accumulated deficit of Kshs.178,433 is not in agreement with the total financial assets balance of Kshs.278,464. The difference between the two sets of figures was not reconciled or explained.</p> <p>Further, the statement of comparative budget and</p>	<p>was done to reflect the correct figures of these two items. Stale cheques amounting to kshs.6, 576,690/- were paid in the Cashbook but not by the bank.</p> <p>These cheques had been included in the cumulative payment when actual payment had not been done. The same were re- credited back to the cashbook during the financial year 2019/2020 and a prior year adjustment made to the statement of receipts and payment and statement of cash flow then. However, cumulative payments of these two items were not adjusted downwards then. This led to over cast of the amounts which had to be adjusted downwards in the financial statements for the financial statements 2020/2021.</p> <p>Reasons for adjusting the cumulative payments were explained in notes 5 and 6 of pages 19 and 20 of the projects financial statements for year</p>	<p>(PAC) and we are waiting for the PAC recommendation report</p>	

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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)
	<p>actual amounts for the year ended 30 June, 2021 reflects an approved receipts budget of Kshs.11,500,000 comprising of original budget of Kshs.10,000,000 being transfer from government entities and budget adjustment figure of Kshs.1,500,000 indicated as miscellaneous receipts. However, the statement of receipts and payments and Note 1 to the financial statements shows that the full budgetary allocation of Kshs.11,500,000 was transfers from government entities and there were no miscellaneous receipts. Under the circumstances, the accuracy of the</p>	<p>ended 30th June, 2021. Attached find: -</p> <ul style="list-style-type: none"> (i) Copies of statement of Receipts and payment and statement of Cash flow as at 30th June, 2020. Appendix 21(i); (ii) List of re-credited cheques. Appendix 21(ii); (iii) Notes to the financial statements for financial year 2020/2021 <ul style="list-style-type: none"> • Compensation of employees • Purchase of goods and Services Appendix 21(iii). <p>The Kshs11,500,000/= received by the project during the financial year 2020/2021 comprised of:</p> <ul style="list-style-type: none"> • LVEMP budgetary allocation for the year amounting to kshs.10 million Appendix 		

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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)
	financial statements for the year ended 30 June, 2021 could not be ascertained.	<p>21(iv);</p> <ul style="list-style-type: none"> • Additional funding/receipts of Kshs1,500,000/= from the Ministry's budget to enable the project fully pay the outstanding balance for the water hyacinth Machine. This was explained in note 1 receipt from Government of Kenya and as a foot note to the statement of Comparative budget and actual performance. <p>Appendix 21(v).</p>		
22	<p>PENDING ACCOUNTS PAYABLE:</p> <p>The statement of receipts and payments and Note 8 to the financial reflects an amount of Kshs.8,908,000 in respect of acquisition of non-financial assets. The payment was said to be in</p>	<p>It is true the procurement process for the said equipment began in 2013/2014 financial year and the following are some of the highlights.</p> <ul style="list-style-type: none"> ➤ The Contract was signed on 18th June 2014 for Supply, delivery and Commissioning of water hyacinth equipment; ➤ Payment schedule was agreed 	<p>Appeared before the Parliamentary Accounts Committee (PAC) and we are waiting for the PAC recommendation</p>	<p>Within six (6) months</p>

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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)
	<p>respect of 10% final balance of hyacinth removing equipment which was purchased in 2013/2014 financial year. However, the amount was not included in the pending bills as at the beginning of the year and was not in the budget allocation for 2020/2021. Further, the equipment was said to have been received in the financial year 2013/2014 yet the inspection and acceptance committee was said to have passed the equipment in December, 2019 while the supplier invoiced for the same in January, 2021. Under the circumstances, the validity of the payment</p>	<p>as: 10% upon Contract Signing; 80% upon shipment and the remaining 10% upon delivery and commissioning;</p> <ul style="list-style-type: none"> ➤ Shipment to the port of Mombasa was done on 2^{1st} October 2015; ➤ Clearance at the Port of Mombasa was done on 8th December 2015; ➤ Arrival at Kisumu Port was on 12th April 2016; ➤ Inspection and Acceptance Committees (IACs) were convened and performed the tasks on various dates such as: the first IAC from 23rd-26th May 2016, the second IAC from 1st -2nd September 2016, the third IAC from 22nd- 23rd November 2016, the fourth IAC on 23rd June 2017, the 	<p>report.</p>	

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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)
	<p>in respect of acquisition of asset amounting to Kshs.8,908,000 for the year ended June, 2021 could not be confirmed.</p>	<p>fifth IAC from 29-30th May 2019 and finally the sixth/last IAC from 16th-17th December 2019.</p> <p>During all this period, several meetings were held between the various Government Departments such as the Office of the Attorney General & Department of Justice, Ministry of Foreign Affairs, The National Treasury and Kenya Maritime Authority with a view to resolving the procurement issues, noting that the first five IACs had rejected the equipment.</p> <p>The last IAC exercise held as from 16th - 17th December 2019 accepted the machine but further delays in accepting the equipment was as a result of negotiations on guarantee.</p> <p>Upon the Supplier meeting all the Contractual obligations, the equipment was accepted by the Government of</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timefram (Put a date when you expect the issue to resolved)
		<p>Kenya and Commissioning was done on 22nd January 2021 and transferred to Lake Basin Development Authority (LBDA). Payment was then done upon commissioning as spelt out in the Contract.</p> <p>The payment was therefore validly made, since by the time of payment, the Supplier had met all the contractual obligations under the signed Contract. The delay in the payment was to ensure that the Supplier had met all the responsibilities.</p> <p>It is also important to note that the 90% of the payment had already been made upon shipment of the equipment and only 10% remained.</p> <p>The pending bill for the payment of 10% was included in the financial statement for 2019/2020 pending bills under Annex 2a and was reflected as Ksh.8,500,000.00/-</p> <p>At the time of payment, the amount</p>		

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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)
		<p>increased to Kshs.8, 908,000/- due to foreign currency exchange rate fluctuation. The payee was a foreign Company and was paid in Euros.</p> <p>Attached, see the acceptance certificate and handing over documents for the equipment.</p> <p>Appendix 22(i).</p>		
23	<p>PENDING ACCOUNTS PAYABLES:</p> <p>Notes 12.1 and 12.2 at page 30 of the financial statements reflects pending accounts payables totaling Kshs.17,019,569 as at 30 June, 2021 comprising of Kshs.2,487,569 and Kshs.14,532,000 due to supplies of goods and services and staff respectively, all relating to 2019/2020 and earlier.</p>	<p>Notes 12.1 and 12.2 at page 30 of the financial statements reflects pending accounts payable totaling Ksh17,019,569 as at 30th June, 2021 comprising of Ksh2,487,569 and Ksh14,532,000 due to suppliers of goods and services and staff respectively all relating to 2019/2020 and earlier. The bills were not paid due to inadequate Government of Kenya Counterpart funds budgetary allocation for 2020/2021 financial year and prior years.</p> <p>However, in the financial year 2021/2022, The pending bills payable</p>	<p>Appeared before the Parliamentary Accounts Committee (PAC) and we are waiting for the PAC recommendation report.</p>	<p>Within six (6) months</p>

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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)
	<p>However, Management has not provided any reason for non-payment of the bills or explained how the same are to be cleared given that the project is no longer funded by the donor.</p> <p>Failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year which they form first charge.</p>	<p>to Riley Falcon Security Ltd of Ksh, 571,484 has been settled fully leaving a balance of Ksh. 1,916,085 for goods and services. The Ministry has further allocated funds to the project to settle the remaining pending bills for other contracts that were delivered in the current financial year 2021/2022. Upon completing the payment of the bills, the Project Preparatory Advance will wind up since LVEMP III was cancelled by The World Bank. <i>For the case of pending employee payables, it is noted that these were allowances and not salaries. The Ministry has requested for funds to settle this outstanding staff allowances totaling to Ksh. 14,532,000 noting that the current budget is not adequate and the Project will have closed by June 2022.</i></p>		
24	<p>BUDGET CONTROL AND PERFORMANCE:</p> <p>The statement of</p>	<p>The approved budget for the project was Kshs.10 Million to take care of pending bills and operational</p>	<p>Appeared before the Parliamentary</p>	<p>Within 6 months</p>

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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)
	<p>comparative budget and actual amounts indicates that the project had an approved budget of Kshs.11,500,000 for the year ended 30 June, 2021 and recorded expenditure of Kshs.11,825,158 resulting to over-expenditure of Kshs.325,158 or approximately 3% of the approved budget. There was no evidence provided in support of approvals for excess budget utilization and as in the previous year, the Project did not receive any donor funding after IDA pulled out.</p>	<p>expenses. Later, and during the financial year, the procurement of the water hyacinth harvester which had delayed was concluded successfully and the Supplier demanded the 10% balance of payment that was due. The project did not have adequate funds to pay this bill. The Ministry released to the project an additional Kshs.1.5 Million to enable full payment for the balance of the water hyacinth equipment. This additional funding was from the Ministry's Headquarters' budget.</p> <p>The over expenditure was occasioned by the increase in the exchange rates, noting that the Contract for the equipment was signed in Euros. At the time of payment, the Euro was trading at Kshs.129 which translated to Kshs.8.9 Million as opposed to the Kshs.8.5 Million captured in the financial statement as pending bill. The kshs. 325,158/= was spent from</p>	<p>Accounts Committee (PAC) and we are waiting for the PAC recommendation report.</p>	

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		unspent balances in the bank account for the financial year 2019/2020 that formed the opening balances for the financial year 2020/2021.		



 Dr. Chris Kiptoo
 Principal Secretary
 30/9/22



 John Saranga
 Project Coordinator

14. Annexes

Annex1 - Variance explanations - Comparative Budget and Actual amounts for FY 2021-2022

	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 %	
Receipts					
Transfer from Government entities	10,000,000	10,000,000	-	100%	
Proceeds from domestic and foreign grants	-	-	-	-	
Proceeds from borrowings	-	-	-	-	
Miscellaneous receipts	-	-	-	-	
Total Receipts	10,000,000	10,000,000	-	100%	
Payments					
Compensation of employees	960,000	960,000.00	-	100%	
Purchase of goods and services	9,040,000	8,234,418.10	805,581.90	92%	
Social security benefits	-	-	-	-	
Acquisition of non-financial assets	-	-	-	-	
Transfers to other government entities	-	-	-	-	
Other grants and transfers	-	-	-	-	
Total payments	10,000,000	9,194,418.10	805,581.90	92%	

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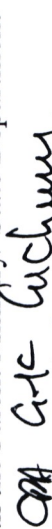
Annex 2: Reconciliation of inter-entity transfers

Project Name:		LAKE VICTORIA ENVIRONMENTAL MANAGEMENT PROJECT PHASE III		
Break down of transfers from the State Department of Environment and Forestry				
a.	Government Counterpart funding	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
1	GOK funds	22.09.2021	5,000,000	2021/2022 FY
2	GOK funds	28.04.2022	5,000,000	
	Total		10,000,000	
B.	Direct payments	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
			-	2021/2022 FY
	Total		-	
C.	Others	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
			-	2021/2022 FY
	Total (A+B+C)		10,000,000	

The above amounts have been communicated to and reconciled with the Parent Ministry/ State Department

Project Coordinator
LVEMP III

Sign 


GAC Luchuma
Head of Accounting Unit
Min. of Environment & Forestry

Sign 

Annex 3a - Analysis of Pending Bills

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 30.06.2022 d=a-c	Outstanding Balance 30.06.2021	Comments
	a	b	c	d=a-c		
Construction of buildings						
Sub-Total	-	-	-	-	-	
Supply of services						
1. Golf Hotel Kakamega	40,000.00		Nil	40,000.00	40,000.00	Provision of catering services during workshop to develop TOR for technical working groups to carry out baseline studies for LVEMP III project sites.
2. DT Dobbie	198,398.50		Nil	198,398.50	198,398.50	Major service carried out on project vehicle GK 143Y
3. Micron Trading Ltd	87,800.00		Nil	87,800.00	87,800.00	Servicing of office computers/laptops
Sub-Total						
Grand Total	326,198.50		-	326,198.50	326,198.50	

Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-KE Annual Report and Financial Statements for the financial year ended June 30, 2022

Annex 3b - Analysis of Pending: Staff Bills

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2020-2021	Outstanding Balance 2019/20	Comments
Permanent Employees - Management							
1. August, 2017 = 3,885,000							
2. June, 2018 = 4,879,000							
3. January, 2019 = 2,912,000		14,532,000	-	960,000	13,572,000	14,532,000	Still outstanding awaiting the allocation of funds
4. January, 2020 = <u>2,856,000</u>							
Total							
Sub-Total							
Temporary employees							
Sub-Total							
Grand Total		14,532,000	-	960,000	13,572,000	14,532,000	

ANALYSIS OF STAFF PENDING BILLS FOR LVEMP III PROJECT									
NAME	Jan-May 2019	Jan-June 2020	June-Dec 2018	August-Dec 2017	Total Amount owed	Amount paid to date June, 2022	Balance c/f 2021/2022		
	KShs	KShs	KShs	KShs	KShs	KShs			
Agnes Yobterick	385,000.00	462,000.00	539,000.00	385,000.00	1,771,000.00	220,000.00	1,551,000.00		
John Saranga	-	420,000.00	-	-	420,000.00	200,000.00	220,000.00		
Isaac Ngugi	280,000.00	336,000.00	392,000.00	280,000.00	1,288,000.00	-	1,288,000.00		
Rodick Kundu	280,000.00	168,000.00	392,000.00	280,000.00	1,120,000.00	-	1,120,000.00		
Humphrey Okusimba	-	112,000.00	-	-	112,000.00	-	112,000.00		
Maurice Wanyiri	280,000.00	224,000.00	392,000.00	280,000.00	1,176,000.00	-	1,176,000.00		
Reuben Kuto	105,000.00	126,000.00	147,000.00	105,000.00	483,000.00	60,000.00	423,000.00		
Stephen Oketch	105,000.00	126,000.00	147,000.00	105,000.00	483,000.00	60,000.00	423,000.00		
Everline Nthumbi	105,000.00	126,000.00	147,000.00	105,000.00	483,000.00	60,000.00	423,000.00		
James Evans Kweyu	-	126,000.00	-	-	126,000.00	60,000.00	66,000.00		
Florence Nyangau	105,000.00	126,000.00	147,000.00	105,000.00	483,000.00	60,000.00	423,000.00		
Elisha Nduga	105,000.00	126,000.00	147,000.00	105,000.00	483,000.00	60,000.00	423,000.00		
Mary Ogonda	105,000.00	126,000.00	147,000.00	105,000.00	483,000.00	60,000.00	423,000.00		

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Edwin Ojiambo	70,000.00	42,000.00	98,000.00	70,000.00	280,000.00	-	280,000.00
Mary Orondo	-	42,000.00	42,000.00	70,000.00	154,000.00	40,000.00	114,000.00
Richard Ong'ong'a	70,000.00	84,000.00	98,000.00	70,000.00	322,000.00	40,000.00	282,000.00
Patrick Munene Ndeke	70,000.00	84,000.00	98,000.00	70,000.00	322,000.00	40,000.00	282,000.00
Fransisca Awuor	350,000.00	-	490,000.00	350,000.00	1,190,000.00	-	1,190,000.00
Solomon Kihui	280,000.00	-	392,000.00	280,000.00	952,000.00	-	952,000.00
Mathews Okello	42,000.00	-	147,000.00	105,000.00	294,000.00	-	294,000.00
Joshua Nyokidi	70,000.00	-	98,000.00	70,000.00	238,000.00	-	238,000.00
John Okere	105,000.00	-	147,000.00	105,000.00	357,000.00	-	357,000.00
Isaiah Mawinda	-	-	280,000.00	280,000.00	560,000.00	-	560,000.00
Nicholas Manyolo	-	-	392,000.00	280,000.00	672,000.00	-	672,000.00
Basil Murila	-	-	-	280,000.00	280,000.00	-	280,000.00
Total	2,912,000.00	2,856,000.00	4,879,000.00	3,885,000.00	14,532,000.00	960,000.00	13,572,000.00

Annex 4 – Summary of Fixed Assets Register

Asset class	Opening Cost (KShs) 01.07.2022 (a)	Donations in form of assets (KShs) 2021/22 (b)	*Purchases/ Additions in the Year (KShs) 2021/22 (c)	**Disposals in the Year (KShs) 2021/22 (d)	Transfers in/(out) KShs 2021/22 (d)	Closing Cost 30.06.2022 (e)= (a)+(b)+(c)-(d)+(-)d
Land	-					
Buildings and structures	31,471,774					31,471,774
Transport equipment	135,495,536					135,495,536
Office equipment, furniture and fittings	36,223,756					36,223,756
ICT Equipment,	-					-
Other Machinery and Equipment	-					-
Heritage and cultural assets	-					-
Biological assets	-					-
Infrastructure assets roads, rails	-					-
Intangible assets	-					-
Work in Progress	-					-
Total	203,191,066					203,191,066

Annex 5: Other Support Documents

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations statement as at 30th June 2022
- iii. Board of Survey Report
- iv. Special Deposit Account(s) reconciliation statement(s)
- v. GOK IFMIS comparison Trial Balance


**MINISTRY OF ENVIRONMENT AND FORESTRY
LAKE VICTORIA ENVIRONMENTAL MANAGEMENT PROJECT (LVEMP III)
BANK RECONCILIATION STATEMENT AS AT 30TH JUNE, 2022**

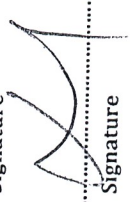
GOK FUNDS

DESCRIPTION	AMOUNT (KSH)
Balance as per Bank Certificate	
1) Less: Payments in Cash Book not yet recorded in Bank statement (Unpresented Cheques)	2,424,064.90
2) Less: Receipts in Bank statement not yet recorded in Cash Book	1,340,056.00
3) Add: Payments in Bank Statement not yet recorded in Cash Book	-
4) Add: Receipts in Cash Book not yet recorded in Bank statement	-
Balance as per Cash Book	1,084,008.90
Difference	-

1. PAYMENTS IN CASH BOOK NOT YET RECORDED IN BANK STATEMENT (UNPRESENTED)			2. RECEIPTS IN BANK STATEMENT NOT YET RECORDED IN CASH BOOK			
NO.	DATE	PAYEE	AMOUNT (KSH)	DATE	PAYEE	AMOUNT (KSH)
1	30/6/2022	James Kweyu	48,600.00			
2	30/6/2022	John Odongo Saranga	67,800.00			
3	30/6/2022	Elish Nduga	54,100.00			
4	30/6/2022	National Project Co-ordinator	960,000.00			
5	30/6/2022	Mechanical and transport fund	20,800.00			
6	30/6/2022	Everline Mwikali	28,500.00			
7	30/6/2022	Richard Ong'ong'a	4,900.00			
8	30/6/2022	Elizabeth Obongo	8,400.00			
9	30/6/2022	Florence Nyangau	8,400.00			
10	30/6/2022	Florence Nyangau	18,500.00			
11	30/6/2022	John Odongo Saranga	30,000.00			
12	30/6/2022	John Odongo Saranga	16,864.00			
13	30/6/2022	Enock Maticha	71,000.00			
14	30/6/2022	VAT Payment for Toyota Kenya Ltd	2,192.00			
TOTALS			1,340,056.00			

3. PAYMENTS IN CASH BOOK NOT YET RECORDED IN CASH BOOK			4. RECEIPTS IN CASH BOOK NOT YET RECORDED IN BANK STATEMENT			
NO.	DATE	PAYEE	AMOUNT (KSH)	DATE	DESCRIPTION	AMOUNT (KSH)
TOTALS			1,340,056.00			

Prepared by: 
 Signature Date 01/07/2022

Supervisor: 
 Signature Date 01/17/22

REPUBLIC OF KENYA
GOK

Date : 1st JULY, 2022

Report of the Board of Survey on the Cash and Bank Balances of : LAKE VICTORIA ENVIRONMENTAL MANAGEM
PROJECT (LVEMP III)

As at the close of business on 30TH JUNE, 2022

The Board, consisting of – (Names and official titles).

1. MR. JOHN SARANGA - AG. NATIONAL PROJECT COORDINATOR

2. MR. REUBEN KUTO – SENIOR LAB TECHNOLOGIST

3. MR. STEPHEN OKETCH – SENIOR LAB. TECHNOLOGIST

Assembled at the cash office, LVEMP III, Kisumu

At 10.20 AM (time) on the 1st JULY, 2022

And the following cash was produced:

Notes	..	..	..	..	..	Sh. 0.00
Silver	..	..	..	..	..	Sh. 37.00
Cheques (as per details on Reverse).	..	..	..	..	..	Sh.....

NIL

It was observed that cheques amounting to Sh.....cts.....
Had been on hand for more than 14 days prior to the date of the survey.

The cash consists of East African currency and does not contain any demonetized coin or notes

The Cash Book reflected the following balances as at the close of business on 30TH JUNE, 2022

Cash on hand	..	..	..	..	..	Sh. 37.00
Bank balance	..	..	..	..	..	Sh 1,084,008.90.

The Bank Certificate of Balance showed a sum of Sh. 2,424,064.90 Standing to the credit of the account on 30th June, 2022.

The difference between this figure and the Bank Balance as shown by the Cash Book is accounted for in the Ba
reconciliation Statement (F.O.30) attached.



.....
Chairman



.....
Members of the Board

Date ... 1st JULY, 2022

