

REPUBLIC OF KENYA



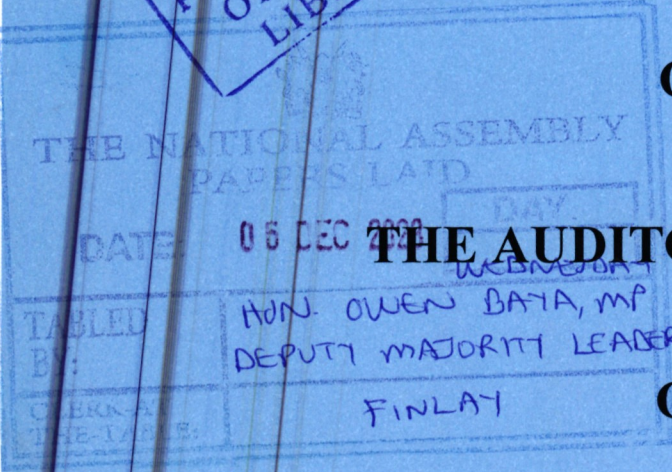
OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*



**REPORT**

**OF**



**THE AUDITOR-GENERAL**

**ON**

**TOWARDS ENDING DROUGHT EMERGENCIES:  
ECOSYSTEM BASED ADAPTATION IN  
KENYA'S ARID AND SEMI-ARID RANGELANDS  
(IUCN GRANT NO. P02886)**

**FOR THE YEAR ENDED  
30 JUNE, 2023**

**STATE DEPARTMENT FOR LIVESTOCK**





OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
REGISTRY  
03 NOV 2023  
**RECEIVED**

**PROJECT NAME: TOWARDS ENDING DROUGHT EMERGENCIES**

**IMPLEMENTING ENTITY: MINISTRY OF AGRICULTURE LIVESTOCK DEVELOPMENT**

**PROJECT GRANT/CREDIT NUMBER: P02886**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2023**

*F/S*

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

OFFICE OF THE AUDITOR GENERAL  
CENTRAL REGIONAL OFFICE  
★ 26 SEP 2023 ★  
**RECEIVED**  
P.O. Box 267 - 10100, NAIROBI

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**Towards Ending Drought Emergencies**  
**Annual Report and Financial Statements for the financial year ended June 30, 2023**

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**Towards Ending Drought Emergencies**  
**Annual Report and Financial Statements for the financial year ended June 30, 2023**

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**1. Acronyms and Glossary of Terms**

CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
WB	World Bank
Comparative FY	Financial year preceding the current financial year
TWENDE	Towards Ending Drought Emergencies
GOK	Government of Kenya
IUCN	International Union for Conservation of Natural Resources
OAG	Office of the Auditor-General
CPA (K)	Certified Public Accountants of Kenya
USD	US Dollars
KES	Kenya Shillings
PhD	Doctors of Philosophy
BSC	Bachelors of Science
SDA	Special Deposit Account
PFS	Pastoral Field School
SDL	State Department for Livestock
TOT	Trainer of Trainers
ESMF	Environmental and Social Management Framework

**Towards Ending Drought Emergencies**  
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## **2. Project Information and Overall Performance**

### **2.1 Name and registered office**

#### **Name**

The project's official name is Towards ending Drought Emergencies.

#### **Objective**

The key objective of the project is to reduce the cost of climate change induced drought on Kenya national economic by increasing resilience of livestock and other land use sectors in restored and effectively.

#### **Address**

The project headquarters offices are Nairobi (*city*), Nairobi County, Kenya. The address of its registered office is: P. O. BOX 34188-00100, Nairobi

The project covers the following counties with land scape offices in Isiolo, Kitui, and Makueni(Kibwezi):

- Kitui
- Isiolo
- Marsabit
- Kajiado
- Garssa
- Makueni
- Samburu
- Tana River
- Thara Nithi
- Taita Taveta
- Meru

**Contacts:** The following are the project contacts

P.O. Box: 34188\_00100, Nairobi

Telephone: (254)2099167



**Towards Ending Drought Emergencies**

**Annual Report and Financial Statements for the financial year ended June 30, 2023**

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E-mail: [pslivestock@kenya.go.ke](mailto:pslivestock@kenya.go.ke);

Website: [www.kilimo.go.ke](http://www.kilimo.go.ke)

**Towards Ending Drought Emergencies  
Annual Report and Financial Statements for the financial year ended June 30, 2023**

**Project information and overall performance (continued)**

**2.2 Project Information**

Project Start Date:	1 <sup>st</sup> November 2019
Project End Date:	31 <sup>st</sup> December 2024
Project Manager:	The project manager is Mr. Blaise Okinyi
Project Sponsor:	The project sponsor is International Union for conservation of Nature (IUCN) and GOK

**2.3 Project Overview**

Line Ministry/State Department for Livestock	The project is under the supervision of the ministry of Agriculture and livestock Development.
Project number	P02886
Strategic Goals of the Project	The strategic goals of the project are as follows: <ul style="list-style-type: none"> <li>✓ Restoration of Rangeland and Landscapes ecosystem based adaptation</li> </ul>
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: <ul style="list-style-type: none"> <li>✓ Implement priority community based rangeland restoration activities.</li> <li>✓ Implement priority actions plans for integrated land/water management in identified catchments</li> <li>✓ Install community validated strategic water source for sustainable rangeland utilization</li> <li>✓ Assist communities to formulate by laws and incorporate into county - laws and</li> </ul>

## Towards Ending Drought Emergencies

### Annual Report and Financial Statements for the financial year ended June 30, 2023

	<ul style="list-style-type: none"><li>✓ Build capacity of local institutions to implement climate sensitive land scape management</li></ul>
Other important background information of the project	<p>The project is being implemented in State Department for Livestock, National Drought Management Authority and Conservation International. The Kenya TWENDE has the National Project Coordinating unit at the project headquarters and 11 counties which are divided into three Landscapes namely Chyulu, Mid Tana and Sabarwawa.</p> <p>The project will achieve its objectives by facilitating relevant line ministries and State Department to implement project activities</p>
Areas that the project was formed to intervene	<p>The project was formed to intervene in the following:</p> <ul style="list-style-type: none"><li>✓ <b>Component One:</b> Climate change adapted planning for drought resilience</li><li>✓ <b>Component Two:</b> Restoration of rangeland landscape for ecosystem-based adaptation</li><li>✓ <b>Component Three:</b> Climate change resilient ecosystem management for investments</li></ul>
Project Duration	<p>The project started on 1<sup>st</sup> November 2019 and is expected to run until 31<sup>st</sup> June 2024</p>

**Towards Ending Drought Emergencies**  
**Annual Report and Financial Statements for the financial year ended June 30, 2023**

**Project Information and Overall Performance (Continued)**

**2.4 Bankers**

The following are the bankers for the project:

- i) Central Bank of Kenya Designated Account (USD Account) No. 1000542509
- ii) Central Bank of Kenya Operational Account (KSH Account) No.1000495685

**2.5 Independent Audit Office**

The project is audited by the Office of the Auditor General (OAG)

**2.6 Roles and Responsibilities**

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

Names	Title designation	Key qualification	Responsibilities
Blaise P. Okinyi	Ag Deputy Director of Livestock Production Officer	<ul style="list-style-type: none"> <li>▪ Bachelors of Science</li> <li>▪ Masters of Arts in Community and Rural Development</li> </ul>	<ul style="list-style-type: none"> <li>❖ Project Coordinator</li> <li>❖ Lead Focal Liaison Person for The SDL TWENDE component 2 Project</li> </ul>
Caleb Kisienya	Principal Livestock	<ul style="list-style-type: none"> <li>▪ Bachelors</li> </ul>	<ul style="list-style-type: none"> <li>❖ Project Desk Officer</li> </ul>

**Towards Ending Drought Emergencies**

**Annual Report and Financial Statements for the financial year ended June 30, 2023**

	Production Officer	Agricultural Economics ▪ Certified M&E	❖ Overall M & E ❖ Focal person for Sabarwawa Land Scape
Petronilla W. Nduthu	Principal Livestock Production Officer	▪ Bachelors of Science ▪ Masters of Science ▪ PhD	❖ Assistant Project Desk Officer ❖ Project GARL ❖ Focal Liaison person for Chyulu Land Scape
James Limbako	Principal Livestock Production Officer	▪ Bachelors of science in agriculture Bsc in Agric.	❖ Master Trainer PSF
Peter Mung'ayo	Assistant Director Livestock Production Officer	▪ Bachelor of Science ▪ Master or Science	❖ Budget Monitoring ❖ Focal Liaison person for Chyulu Land Scape
Beatrice Tuei	Assistant Director Livestock Production Officer	▪ Bachelor of Science ▪ Master or Science ▪ PhD	❖ Project Extension and Training Social and Environmental Expert ❖ Lead county Liaison /Focal

**Towards Ending Drought Emergencies  
Annual Report and Financial Statements for the financial year ended June 30, 2023**

				Liaison person for Sabarwawa
Fredrick Aloo	Assistant Director Livestock Production Officer	<ul style="list-style-type: none"> <li>▪ Bachelor of Science</li> <li>▪ Master of Science</li> </ul>		<ul style="list-style-type: none"> <li>❖ Project Strategist</li> <li>❖ ESMF Lead Task force Liaison person</li> <li>❖ Sabarwawa Land Scape focal Liaison person</li> </ul>
James Muriuki	Assistant Director Livestock Production Officer	<ul style="list-style-type: none"> <li>▪ Bachelor of Science</li> <li>▪ Master of Science</li> </ul>		<ul style="list-style-type: none"> <li>❖ Project Extension and Training Liaison for county</li> <li>❖ Focal Liaison person for Mid Tana Land Scape</li> </ul>
Patrick Chelal	Senior Accountant	<ul style="list-style-type: none"> <li>▪ CPA (K)</li> </ul>		❖ Project Finance/Accounting
Edna Mosoti	Senior Clerical Officer	<ul style="list-style-type: none"> <li>▪ Diploma in Business Administration</li> <li>▪ CPA (K)</li> </ul>		❖ Project Finance/Accounting
Charles Anyona	Supply Chain Management Officer	<ul style="list-style-type: none"> <li>▪ Diploma in Materials Management</li> <li>▪ Bachelors in</li> </ul>		❖ Project Procurement

## Towards Ending Drought Emergencies

### Annual Report and Financial Statements for the financial year ended June 30, 2023

		Purchasing and Supplies Management	
Esther Nduta	Senior Office Administrative Assistant	<ul style="list-style-type: none"><li>▪ Diploma in Secretarial Studies</li><li>▪ Bachelor of Business Administration and Management</li></ul>	❖ Project Secretary

#### 2.7 Funding summary

The Project duration is five years, from 2019 to 2024 with an approved budget of USD 9,482,095, while the Government of Kenya will provide co-financing of USD 3,900,000 as CI provides co-finance of USD 1,500,000. Ministry of Agriculture, Livestock Fisheries, and Cooperatives / State Department for Livestock is implementing component 2 as highlighted in the table below: with approved budget of USD 3,459,107 while the Government of Kenya will provide co-financing of USD 3,900,000 as highlighted in the table below:

**Towards Ending Drought Emergencies  
Annual Report and Financial Statements for the financial year ended June 30, 2023**

**Project information and overall performance (continued)**

Below is the funding summary:

**A. Source of Funds**

<b>(i) Grant</b>						
International Union for Conservation of Nature (IUCN)	9,482,096	1,079,062,488	1,292,974	151,587,981	8,189,122	927,174,507
<b>(ii) Counterpart funds</b>						
Government of Kenya	5,400,000	614,520,000	541,861	65,088,378.00	4,850,466	550,422,149
<b>Total</b>	<b>14,882,096</b>	<b>1,693,582,488</b>	<b>1,834,835</b>	<b>216,676,359</b>	<b>13,039,588</b>	<b>1,477,896,956</b>



**Towards Ending Drought Emergencies  
Annual Report and Financial Statements for the financial year ended June 30, 2023**

**Project information and overall performance (continued)**

**B. Application of Funds**

Application of funds	Amount received to date - (30 <sup>th</sup> June 2023)		Cumulative amount paid to date - (30 <sup>th</sup> June 2023)		Unutilised balance to date (30 <sup>th</sup> June 2023)	
	<i>Donor currency</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>(i) Grant</b>						
International Union for Conservation of Nature (IUCN)	1,261,971	151,587,981	1,258,253	151,141,354	3,718	446,627
<b>(i) Counterpart funds</b>						
Government of Kenya	541,861	65,088,378.00	541,861	65,088,378.00	0	0
<b>Total</b>						

**Towards Ending Drought Emergencies**  
**Annual Report and Financial Statements for the financial year ended June 30, 2023**

**Project information and overall performance (continued)**

**2.8 Summary of Overall Project Performance:**

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

<i>Component/ Component</i>	<i>Sub- Component</i>	<i>Project Costs (Ksh.)</i>			<i>Actual Expenditure</i>	<i>Percentage (%)</i>
		<i>GRANT</i>	<i>GOK</i>	<i>TOTAL</i>		
Prioritize rangeland resources including water resource, are brought under restoration and safeguarded and sustainably managed for improved climate		1,079,062,488	614,520,000	1,693,582,488	215,238,905	12.71

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

**Outputs,**

- a) communities and county governments develop rangeland landscape management plans using appropriate climate change and landscape analysis and participatory processes
- b) Prioritized rangeland resources, including water resources, are restored, safeguarded and sustainably managed
- c) Public, private and community investments equitably support restoration activities and strengthen value chains for restored ecosystem services

**Outcomes:**

- a) Strengthened institutional and regulatory systems for climate-responsive planning and development
- b) Strengthened adaptive capacity and reduced exposure to climate risks

- c) Strengthened awareness of climate threats and risk-reduction processes and all these leads to two main impacts which is described in the project document as;

**Project information and overall performance (continued)**

1. Improved resilience of ecosystems and ecosystem services and
2. Increased resilience and enhanced livelihoods of the most vulnerable people, communities and regions

➤ **Value-for-money achievements,**

Value for money is shown on the project document as the overall impact which is reducing the cost of climate change on Kenya's national economy by enabling pastoralists in arid and semi-arid counties to restore rangeland ecosystems and increase water security and land productivity, in order to adapt better to climate change induced drought.

**2. The absorption rate for each year since the commencement of the project.**

- The GOK total absorption and expenditure was **KSH. 64,097,551.**
- The IUCN total absorption was **KSH. 151,141,354,** the exchange rate was **US\$ 1 = KES 115.8 and 120.12.**

**3. The implementation challenges and recommended way forward.**

- To Subsidiary Agreements that were Pending were successfully signed with CI and NDMA
- Funds Disbursed to Service Providers

**Delays:**

- Delays in disbursement of funds, especially the donor funds from IUCN to MOALFC
- Delays in signing of some service agreements with some service providers like CI.

**Challenges:**

- Being an election period, politics took centre stage thereby diverting focus to political activities
- Lack of clear understanding of the project by the implementing entities
- County engagement still a challenge

**Key Milestones Achieved:**

➤ **Community level training plan for restoration actions developed (M48), through;**

- Natural resource management institutions sensitized and their knowledge/ Skill gap identified through Capacity needs assessment across natural resource management institutions to identify knowledge and skill gaps undertaken
- Rehabilitation and restoration activities up scaled Participatory identification of appropriate tree/ grass species – SDL Field activity undertaken
- Tot Training Workshop on Use of PRM Range Management Manual / Guideline For Rehabilitation And Restoration Of TWENDE Project Landscapes

**Project information and overall performance (continued)**

- **Challenges encountered** include lack of project awareness in the counties and non-inclusion of county engagement in the original project document. These were resolved through touring of the project landscapes and engaging county personnel in face to face discussions.

**1.9 Summary of Project Compliance:**

**1.10** The project did not have any cases of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants during the year under review.

**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 agreement/ plan* are to:

- a) Build capacity of local institutions to implement climate-sensitive landscape management implemented by SDL
- b) Implement priority community-based rangeland restoration activities implemented by KWTA;
- c) Implement priority actions plans for integrated land/water management in identified catchments implemented by ICRAF &WRA;
- d) Install community-validated strategic water sources for sustainable rangeland utilization implemented by WRA;
- e) Assist communities to formulate bylaws and incorporate into county laws; and implemented by NDMA

**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.

**Towards Ending Drought Emergencies**  
**Annual Report and Financial Statements for the financial year ended June 30, 2023**

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**1. Community Engagements**

The Principal Secretary state department for livestock in the Ministry of Agriculture and Livestock Development and the Project Coordinator for Towards Ending Drought Emergencies are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2023.

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, Selecting and applying appropriate accounting policies
  - (v) Making accounting estimates that are reasonable in the circumstances
- The Principal Secretary State Department for Livestock in the Ministry of Agriculture and Livestock Development and the Project Coordinator for Towards Ending Drought Emergencies 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 state department for livestock in the Ministry of Agriculture and Livestock Development and the Project Coordinator for Towards Ending Drought Emergencies are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2023, and of the Project's financial position as at that date. The Principal Secretary state department for livestock in the Ministry of Agriculture and Livestock Development and the Project Coordinator for Towards Ending Drought Emergencies 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 state department for livestock in the Ministry of Agriculture and Livestock Development and the Project Coordinator for Towards Ending Drought Emergencies confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

## **2. Statement of Project Management responsibilities**

The Principal Secretary for the Ministry for livestock in the Ministry of Agriculture livestock fisheries and Cooperatives and the Project Coordinator for Towards Ending Drought Emergencies are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2023.

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
- iv) Ensuring that they are free from material misstatements, whether due to error or fraud
- v) Safeguarding the assets of the project
- vi) Selecting and applying appropriate accounting policies
- (vii) Making accounting estimates that are reasonable in the circumstances

The Principal Secretary for the Ministry for livestock in the Ministry of Agriculture livestock fisheries and Cooperatives and the Project Coordinator for Towards Ending Drought Emergencies 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 for livestock in the Ministry of Agriculture livestock fisheries and Cooperatives and the Project Coordinator for Towards Ending

**Towards Ending Drought Emergencies**  
**Annual Report and Financial Statements for the financial year ended June 30, 2023**

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Drought Emergencies are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2023, and of the Project's financial position as at that date. The Principal Secretary for the Ministry for livestock in the Ministry of Agriculture livestock fisheries and Cooperatives and the Project Coordinator for Towards Ending Drought Emergencies 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 for livestock in the Ministry of Agriculture livestock fisheries and Cooperatives and the Project Coordinator for Towards Ending Drought Emergencies confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.




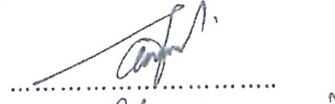
**Towards Ending Drought Emergencies  
Annual Report and Financial Statements for the financial year ended June 30, 2023**

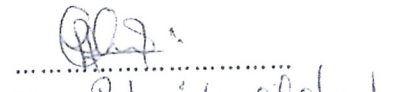
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**Approval of the Project Financial Statements**

The Project financial statements were approved by the Principal Secretary for the Ministry for livestock in the Ministry of Agriculture livestock fisheries and Cooperatives and the Project Coordinator for Towards Ending Drought Emergencies on \_\_\_\_\_ 2023 and signed by:

  
.....  
Name **Jonathan Mueke**  
Principal Secretary

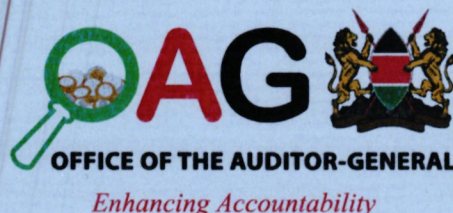
  
.....  
Name **Blaise Okingi**  
Project Coordinator

  
.....  
Name **Patrick Chepal**  
Project Accountant  
ICPAK Member No: **21348**



# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON TOWARDS ENDING DROUGHT EMERGENCIES: ECOSYSTEM BASED ADAPTATION IN KENYA'S ARID AND SEMI-ARID RANGELANDS (IUCN GRANT NO. P02886) FOR THE YEAR ENDED 30 JUNE, 2023 - STATE DEPARTMENT FOR LIVESTOCK**

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### **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 the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of Towards Ending Drought Emergencies: Ecosystem Based Adaptation in Kenya's Arid and Semi-Arid Rangelands set out on pages 1 to 25, which comprise of the statement of financial assets as at

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*Report of the Auditor-General on Towards Ending Drought Emergencies: Ecosystem Based Adaptation in Kenya's Arid and Semi-Arid Rangelands (ICUN ) Grant No. P02886 for the year ended 30 June, 2023 - State Department for Livestock*

30 June, 2023, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Towards Ending Drought Emergencies: Ecosystem Based Adaptation in Kenya's Arid and Semi-Arid Rangelands as at 30 June, 2023, 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 Public Finance Management Act, 2012 and Financing Agreement No. P02886 between International Union for Conservation of Nature and Natural Resources (IUCN) and the Republic of Kenya.

### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Towards Ending Drought Emergencies: Ecosystem Based Adaptation in Kenya's Arid and Semi-Arid Rangelands Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Key Audit Matters**

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

### **Other Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.121,683,928 and Kshs.92,145,975 resulting to a shortfall of Kshs.29,537,953 or 24.27% of the approved budget. Similarly, the Project Management spent an amount of Kshs.104,857,947 against an approved budget of Kshs.121,683,928 resulting to an under-expenditure of Kshs.16,827,981 or 16% of the budget. In addition, Note 6 to the financial statement reflects kshs.38,232,400 in respect of transfers to other government entities. However, the approved budget was Kshs.26,279,028 thereby resulting to an over- expenditure of Kshs.11,953,372 that was not approved contrary to Regulation 44(2) Public Finance Management Act, (National Government Regulations) 2015 that states that National Government entities shall execute their approved budgets based on the annual appropriation legislation, and the approved annual cash flow plan with the exception of unforeseen and unavoidable spending dealt with through the Contingencies Fund, or supplementary estimates.

The underfunding and underperformance affected the planned activities and might impact negatively on service delivery to the public. In addition, Management was in breach of the law.

## 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 processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by International Union for Conservation of Nature and Natural Resources, except for the matters described in the Basis for Lawfulness and Effectiveness in Use of Public Resources section of my report, I report based on my audit, that:

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

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

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

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

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

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

Those charged with governance are responsible for overseeing the Project's financial reporting process, reviewing the effectiveness of how 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 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 Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and 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

07 November, 2023



**Towards Ending Drought Emergencies**

**Annual Report and Financial Statements for the financial year ended June 30, 2023**


**4. Statement of Receipts and Payments for the year ended 30th June 2023.**

No.	Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payment controlled by the entity		Payments made by third parties	Total	Cumulative to-date (from inception)
				FY 2022-2023	FY 2021-2022			
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
<b>Receipts</b>								
1	Transfer from Government entities	40,383,384	-	40,383,384	24,704,994.00	-	24,704,994.00	65,088,378.00
2	Proceeds from domestic and foreign grants	51,762,591	-	51,762,591	99,825,390	-	99,825,390	151,587,981
	<b>Total receipts</b>	<b>92,145,975</b>	<b>-</b>	<b>92,145,975</b>	<b>124,530,384</b>	<b>-</b>	<b>124,530,384</b>	<b>216,676,359.00</b>
<b>Payments</b>								
3	Compensation to employees	6,190,073.00	-	6,190,073.00	1,900,802	-	1,900,802	7,981,470
4	Purchase of goods and services	56,645,474.00	-	56,645,474.00	104,163,216	-	104,163,216	160,918,095
5	Acquisition of non-financial assets	3,790,000	-	3,790,000	4,316,940	-	4,316,940	8,106,940


**Towards Ending Drought Emergencies**  
**Annual Report and Financial Statements for the financial year ended June 30, 2023**

	Note	Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payment controlled by the entity	Payments made by third parties	Total	Cumulative to-date (From inception)
Transfers to other government entities	6	38,232,400	-	38,232,400	-	-	-	38,232,400
<b>Total payments</b>		<b>104,857,947</b>	<b>-</b>	<b>104,857,947</b>	<b>110,380,958</b>	<b>-</b>	<b>110,380,958</b>	<b>215,238,905</b>
<b>Surplus/ (deficit)</b>		<b>-12,711,972</b>	<b>-</b>	<b>-12,711,972</b>	<b>13,158,599</b>	<b>-</b>	<b>13,158,599</b>	<b>446,627</b>

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

  
 Name **Jonathan Mueve**  
 Principal Secretary

  
 Name **Blaise O'Kinyi**  
 Project Coordinator

  
 Name **Patrick Chelal**  
 Project Accountant  
 ICPAK Member No: **21348**

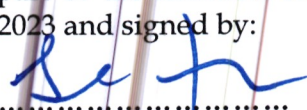
**Towards Ending Drought Emergencies**


**Annual Report and Financial Statements for the financial year ended June 30, 2023**


**6. Statement of Financial Assets as at 30<sup>th</sup> June 2023**

Description	Note	FY 2022-2023 Kshs	FY 2021-2022 Kshs
<b>Financial Assets</b>			
<b>Cash and Cash equivalents</b>			
Bank Balances	7.A	446,627	13,158,599
Cash Balances			-
<b>Total Cash and Cash equivalents</b>		<b>446,627</b>	<b>13,158,599</b>
<b>Net Assets</b>		<b>446,627</b>	<b>13,158,599</b>
<b>Represented By</b>			
Fund Balance B/fwd.	8	13,158,599	-
Surplus/(Deficit) for the Year		(12,711,972)	13,158,599
<b>Net Financial Position</b>		<b>446,627</b>	<b>13,158,599</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on \_\_\_\_\_ 2023 and signed by:

  
 Name **Jonathan Mueke**  
 Principal Secretary

  
 Name **Blaise O'Kinyi**  
 Project Coordinator

  
 Name **Patrick Ojalal**  
 Project Accountant

ICPAK Member No: **21348**

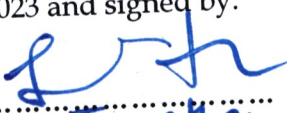
**7. Statement of Cashflow for the year ended 30<sup>th</sup> June 2023**

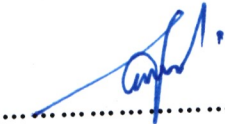
Description	Notes	FY2022/2023 Kshs	FY 2021/2022 Kshs
<b>Cashflow from operating activities</b>			
<b>Receipts</b>			
Receipts from Government of Kenya	1	40,383,384.00	24,704,994.00
Proceeds from Domestic and Foreign	2		


**Towards Ending Drought Emergencies**  
**Annual Report and Financial Statements for the financial year ended June 30, 2023**

Grants		51,762,591.00	99,825,390.00
<b>Total receipts</b>		<b>92,145,975.00</b>	<b>124,530,384.00</b>
<b>Payments</b>			
Compensation of employees	3	6,190,073.20	2,891,629.00
Purchase of goods and services	4	56,645,474.00	104,163,216.00
Transfer to other Government entities	6	38,232,400.00	
<b>Total Payments</b>		<b>101,067,947.20</b>	<b>107,054,845.00</b>
<b>Net receipts/(payments)</b>		<b>(8,921,972.20)</b>	<b>17,475,539.00</b>
<b>Net cash flow from operating activities</b>			
<b>Cashflow from investing activities</b>			
Acquisition of non-financial assets	5	3,790,000.00	4,316,940.00
<b>Net cash flows from investing activities</b>			
<b>Cash flow from financing activities</b>			
Proceeds from foreign borrowings		-	
<b>Net cash flow from financing activities</b>			
<b>Net increase in cash and cash equivalents</b>		<b>(12,711,972.20)</b>	<b>13,158,599.00</b>
<b>Cash and cash equivalent at beginning of the year</b>	8	<b>13,158,599.00</b>	-
<b>Cash and cash equivalent at end of the year</b>	7	<b>446,626.80</b>	<b>13,158,599.00</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on \_\_\_\_\_ 2023 and signed by:

  
 Name **Jonathan Mueke**  
 Principal Secretary

  
 Name **Blaise Okinyi**  
 Project Coordinator

  
 Name **Patrick Chelal**  
 Project Accountant  
 ICPAK Member No: **21348**

**Towards Ending Drought Emergencies**  
**Annual Report and Financial Statements for the financial year ended June 30, 2023**

**8. Statement of Comparison of Budget and Actual amounts for year ended 30<sup>th</sup> June 2023**

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization
	a	b	c=a+b	d	e=c-d
<b>Receipts</b>					
Transfer from Government entities	78,000,000	-34,316,072	43,683,928	40,383,384	3,300,544
Proceeds from domestic and foreign grants	100,000,000	22,000,000	78,000,000	51,762,591	26,237,409
<b>Total Receipts</b>	<b>178,000,000</b>	<b>-56,316,072</b>	<b>121,683,928</b>	<b>92,145,975</b>	<b>29,537,953</b>
<b>Payments</b>					
Compensation to employees	23,000,000	-1,075,000	21,925,000	6,080,668	15,844,332
Purchase of goods and services	91,303,000	-24,936,600	66,366,400	56,754,879	9,611,521
Acquisition of non-financial assets	13,697,000	-6,583,500	7,113,500	3,790,000	3,323,500
Transfers to other government entities	50,000,000	-23,720,972	26,279,028	38,232,400	-11,953,372
<b>Total Payments</b>	<b>178,000,000</b>	<b>-56,316,072</b>	<b>121,683,928</b>	<b>104,857,947</b>	<b>16,825,981</b>
<b>Surplus or Deficit</b>				<b>-12,711,972</b>	

Note: The significant budget utilisation/performance differences in the last column are explained in Annex 2 to these financial statements.



Name **Jonathan Mueke**  
Principal Secretary



Name **Blaise Okinyi**  
Project Coordinator



Name **Patrick Chelal**  
Project Accountant  
ICPAK Member No: **21348**

**9. Significant Accounting Policies**

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

**a) Statement of compliance and basis of preparation**

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

**b) Reporting entity**

The financial statements are for Towards Ending Drought Emergencies under the State Department of Livestock. The financial statements are for the reporting entity for Towards Ending Emergencies Project as required by Section 81 of the PFM Act, 2012 .

**c) 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.

**d) Recognition of receipts**

Towards Ending Drought Emergencies recognises all receipts from the various sources when the event occurs, and the related cash has 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.

**Significant Accounting Policies (continued)**

**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.

**Significant Accounting Policies (continued)**

**e) Recognition of payments**

The Project recognises all payments when the event occurs, and the related cash has 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.

**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.



**Significant Accounting Policies (continued)**

**v) Acquisition of fixed assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment. A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

**f) In-kind donations**

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

**g) Cash and cash equivalents**

Cash and cash equivalents comprise cash in 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.

**Significant Accounting Policies (Continued)**

**h) 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.

**i) 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.

**j) Contingent Liabilities**

A contingent liability is:

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

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

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. **Annex 6** of this financial statement is a register of the contingent liabilities in the year.

**Significant Accounting Policies (Continued)**

**k) Contingent Assets**

Towards Ending Drought Emergencies 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 Towards Ending Drought Emergencies 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.

**l) 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.

**m) 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

**Towards Ending Drought Emergencies**  
**Annual Report and Financial Statements for the financial year ended June 30, 2023**

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for the financial year/period under review has been included in an annex to these financial statements.

**Significant Accounting Policies (Continued)**

**n) 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.

**o) 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.

**p) 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.

**q) 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, 2023.

**r) Prior period adjustments**

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). Towards Ending Drought Emergencies did not have prior year adjustments.

**Towards Ending Drought Emergencies  
Annual Report and Financial Statements for the financial year ended June 30, 2023**

**Notes to the Financial Statements**

**1. Transfers from Government entities**

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

Description	FY 2022-2023	FY 2021-2022	Cumulative to-date (from inception)
	Kshs	Kshs	Kshs
<i>Counterpart funding through Ministry Agriculture livestock fisheries and Cooperatives</i>			
Counterpart funds 1st Half	3,271,276	4,859,265	8,130,541
Counterpart funds 2nd Half	37,112,108	19,845,729	56,957,837
<b>Total (See Annex 3)</b>	<b>40,383,384</b>	<b>24,704,994</b>	<b>65,088,378.00</b>
<i>Other transfers from government entities</i>			
Ministry Agriculture livestock fisheries and Cooperatives	-	-	-
<b>Total</b>	<b>=</b>	<b>=</b>	<b>=</b>
<b>Total</b>	<b><u>40,383,384</u></b>	<b>24,704,994</b>	<b>65,088,378.00</b>

The sum of Ksh. 40,383,384 is the payments paid by the Ministry of Agriculture and Livestock Development state department of livestock on behalf of the project for the current financial year under review.

**Towards Ending Drought Emergencies**  
**Annual Report and Financial Statements for the financial year ended June 30, 2023**

**Notes to the Financial Statements (Continued)**

**2. Proceeds From Domestic and Foreign Grants**

During the financial period to 30 June 2023, we received grants from donors as detailed in the table below:

Name of Donor	FY 2022-2023						FY 2021-2022	Cumulative to date
	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment	Grants received in kind	Total amount	Total Amount	
			Kshs	Kshs	Kshs	Kshs	Kshs	
Grants Received from Multilateral Donors (International Union for Conservation of Nature (IUCN))	17-May-22	430,924	51,762,591	-	-	51,762,591	99,825,390	151,587,981
<b>Total</b>		<b>430,924</b>	<b>51,762,591</b>	<b>-</b>	<b>-</b>	<b>51,762,591</b>	<b>99,825,390</b>	<b>151,587,981</b>

**Towards Ending Drought Emergencies**  
**Annual Report and Financial Statements for the financial year ended June 30, 2023**

Notes to the Financial Statements (Continued)

3. Compensation to Employees

Description	FY 2022-2023			FY 2021-2023	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Basic salaries of permanent employees	-	-	-	-	-
Basic wages of temporary employees	6,190,073.00	-	6,190,073.00	1,900,802	7,981,470
Personal allowances paid as part of salary	-	-	-	-	-
Personal allowances paid as reimbursements	-	-	-	-	-
Personal allowances provided in kind	-	-	-	-	-
Pension and other social security contributions	-	-	-	-	-
Compulsory national social security schemes	-	-	-	-	-
Compulsory national health insurance schemes	-	-	-	-	-
Social benefit schemes outside government	-	-	-	-	-
Other personnel payments	-	-	-	-	-
<b>Total</b>	<b>6,190,073.00</b>	<b>-</b>	<b>6,190,073.00</b>	<b>1,900,802</b>	<b>7,981,470</b>

**Towards Ending Drought Emergencies**  
**Annual Report and Financial Statements for the financial year ended June 30, 2023**

**Notes to the Financial Statements (Continued)**

**4. Purchase of Goods and Services**

Description	Insert Current FY 2023			Insert Comparati FY 2022	Cumulative to- date
	Payments made in Cash	Payments made by third parties	Total payments	Total payme nts	
	Kshs	Kshs	Kshs	Kshs	Kshs
Consultancy services: Technical and professional services	5,692,600	-	5,692,600	85,736,591	91,429,191
Communication, supplies and services	1,668,000	-	1,668,000	400,000	2,068,000
Domestic travel and subsistence	29,000,192	-	29,000,192	12,175,600	41,175,792
Foreign travel and subsistence	3,393,395	-	3,393,395	566,780	3,960,175
Printing, advertising, and information supplies	2,809,400	-	2,809,400	441,130	3,250,530
Training payments	9,867,850	-	9,867,850	1,908,000	11,775,850
Hospitality supplies and services	104,000	-	104,000	320,000	424,000
Specialized materials and services	-	-	-	-	-
Other operating payments	1,195,981	-	1,195,981	1,749,765	2,945,746
Routine maintenance - vehicles		-		524,000	3,438,056



**Towards Ending Drought Emergencies**  
**Annual Report and Financial Statements for the financial year ended June 30, 2023**

Description	Insert Current FY 2023			Insert Comparative FY 2022	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payme nts	
and other transport equipment	2,914,056.0 0		2,914,056		
<b>Total</b>	<b>56,645,474</b>	<b>=</b>	<b>56,645,474</b>	<b><u>104,163,216</u></b>	<b><u>160,808,690</u></b>

**Towards Ending Drought Emergencies  
Annual Report and Financial Statements for the financial year ended June 30, 2023**

**Notes to the Financial Statements (Continued)**

**5 Acquisition of Non-Financial Assets**

Description	FY 2022-2023			2021-2022	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs.	Kshs.	Kshs	Kshs	Kshs
Purchase of buildings	-	-	-	-	-
Construction of buildings	-	-	-	-	-
Refurbishment of buildings	-	-	-	-	-
Construction of roads	-	-	-	-	-
Construction of civil works	-	-	-	-	-
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	845,000	-	845,000	-	845,000
Purchase of specialised plant, equipment and machinery	1,605,000	-	1,605,000	1,502,250	3,107,250.00
Rehabilitation & renovation of plant, equipment & machinery	-	-	-	-	-
Purchase of certified seeds, breeding stock and live animals	1,340,000	-	1,340,000	2,814,690	4,154,690.00
Research, studies, project preparation, design & supervision	-	-	-	-	-
Rehabilitation of civil works	-	-	-	-	-
Acquisition of strategic stocks	-	-	-	-	-
Acquisition of land	-	-	-	-	-
Acquisition of other intangible assets	-	-	-	-	-
<b>Total</b>	<b><u>3,790,000</u></b>	<b>=</b>	<b><u>3,790,000</u></b>	<b><u>4,316,940</u></b>	<b><u>8,106,940</u></b>

**Towards Ending Drought Emergencies**  
**Annual Report and Financial Statements for the financial year ended June 30, 2023**

Notes to the Financial Statements (Continued)

6. Transfers to other Government Entities

Description	FY 2022-2023			FY 2021-2023	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Transfers to National Government entities					
NATIONAL DROUGHT MANAGEMENT AUTHORITY	6,182,400	-	6,182,400	-	6,182,400
WATER RESOURCES AUTHORITY	32,050,000	-	32,050,000	-	32,050,000
<b>Total</b>	<b><u>38,232,400</u></b>	<b><u>38,232,400</u></b>	<b><u>38,232,400</u></b>	<b>=</b>	<b><u>38,232,400</u></b>

Notes to the Financial Statements (Continued)

7 Cash And Cash equivalents

Description	Insert Current FY	Insert Comparative FY
	2023	2022
	Kshs	Kshs
Bank accounts (Note 6)	446,627	13,158,599
Cash in hand	-	-
Cash equivalents (short-term deposits) (Note 11C)	-	-
<b>Total</b>	<b>446,627</b>	<b>13,158,599</b>

**Towards Ending Drought Emergencies**  
**Annual Report and Financial Statements for the financial year ended June 30, 2023**

**7A Bank Accounts**

**Project Bank Accounts**

Details	Insert Current FY 2023	Insert Comparative FY
	Kshs.	Kshs.
<u>Foreign Currency Accounts</u>		
Central Bank of Kenya [A/c No.....]	3,718	113,632
Kenya Commercial Bank [A/c No.....]	-	-
Co-operative Bank of Kenya [A/c No.....]	-	-
Total Foreign Currency balances	3,718	113,632
<u>Local Currency Accounts</u>		
Central Bank of Kenya [A/c No.....]	446,627	13,158,599
Kenya Commercial Bank [A/c No.....]	-	-
Co-operative Bank of Kenya [A/c No.....]	-	-
Others ( <i>specify</i> )	-	-
Total local currency balances	446,627	13,158,599
Total bank account balances	446,627	13,158,599

**Notes to the Financial Statements (Continued)**

**Special Deposit Accounts**

The balances in the Project's Special Deposit Account(s) as at 30<sup>th</sup> June 2023 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**

Towards Ending Drought Emergencies

Annual Report and Financial Statements for the financial year ended June 30, 2023

Description	FY 2022-2023	FY 2021-2022
	Kshs	Kshs
<b>(i) A/C Name [A/c No1000495685]</b>		
Opening balance	13,158,599	-
Total amount deposited in the account	51,762,591	99,825,390
Total amount withdrawn (as per Statement of Receipts & Payments)	<u>64,474,563</u>	<u>86,666,791</u>
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	<b><u>446,627</u></b>	<b><u>13,158,599</u></b>
<b>(ii) A/c Name [A/c No1000542508]</b>	<b>USD</b>	<b>USD</b>
Opening balance (as per the SDA reconciliation)	475,219	-
Total amount deposited in the account	-	1,874,197
Total amount withdrawn (as per Statement of Receipts & Payments)	<u>430,924.</u>	<u>1,398,942</u>
		36
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	<b><u>44,295</u></b>	<b><u>475,219</u></b>

**Towards Ending Drought Emergencies**  
**Annual Report and Financial Statements for the financial year ended June 30, 2023**

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**5. Fund Balance Brought Forward**

Description	FY 2022-2023	FY 2021-2022
	Kshs	
Bank accounts	13,158,599	-
Cash in hand	-	-
<b>Total</b>	<b>13,158,599</b>	<b>-</b>

## Towards Ending Drought Emergencies

### Annual Report and Financial Statements for the financial year ended June 30, 2023

#### Other Important Disclosures

##### 1. Pending Accounts Payable (See Annex 4a)

	Balance b/f from Comparative FY	Additions for the year	Paid during the year	Balance c/f For Current FY
Description	Kshs	Kshs	Kshs	Kshs
Construction of buildings	-	-	(-)	-
Construction of civil works	2,400,000	-	(2,400,000)	-
Supply of goods	14,054,888	2,950,000	(9,019,500)	7,985,388
Supply of services	7,095,457	-	(0)	7,095,457
<b>Total</b>	<b>22,550,345</b>	<b>2,950,000</b>	<b>(11,419,500)</b>	<b>15,080,845</b>

##### 2. Pending Staff Payables (See Annex 4b)

	Balance b/f from FY2021-2022	Additions for the year	Paid during the year	Balance c/f for FY 2022-2023
Description	Kshs	Kshs	Kshs	Kshs
Senior management	-	-	(-)	-
Middle management	-	589,024.80	(-)	589,024.80
Union employees	-	-	(-)	-
Others	-	-	(-)	-
<b>Total</b>	<b>-</b>	<b>589,024.80</b>	<b>(-)</b>	<b>589,024.80</b>

**Towards Ending Drought Emergencies  
Annual Report and Financial Statements for the financial year ended June 30, 2023**

**Other Important Disclosures (Continued)**

**13. Annexes**

**Annex 1: Prior Year Auditor-General's Recommendations**


Reference No. on the external audit Report	Issue/Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Date when you expect the issue to be resolved)
1. Irregular Reallocation of Expenditure	The statement of receipts and payments reflects purchase expenditure on purchase of goods and services totalling Kshs. 104,163,216 which as disclosed in Note 4 of the financial statements Includes consultancies costs amounting to Kshs. 85,736,591. Review of the payments against the budget revealed that contracted technical services and contracted professional services sub-items had a combined approved budget of Kshs. 12,680,000 resulting to over expenditure of Kshs. 73,056,591 or 557% of the budget. Management did not provided explanation why they incurring the expenditure over and above the budgetary provision. In addition, no approval for thee reallocation was provided for audit review.	The over expenditure of Kshs. 73,056,591 or 557% of the budget were incurred by service providers under the budget line item as per the work plan for the period under review.	Not Resolved	6 Months
2. Unsupported Pending Accounts Payables	As disclosed in Note 12 to the financial statements on other important disclosures under annex 3, the project pending accounts payable amount of Kshs. 23,550,345 as at 30 June, 2022 comprising payables for supply of goods amounting to Kshs. 14,054,888, supply of services amounting to Kshs. 7,095,457 and civil works of Kshs. 2,400,000. However, these payables were not supported with the relevant documents including contracts, invoices, delivery note, stores received notes (S13), inspection and acceptance committee reports, and	The amount Kshs.23, 550,345 comprising payables for supply of goods amounting to Kshs. 14,054,888, supply of services amounting to	Not Resolved	6 Months

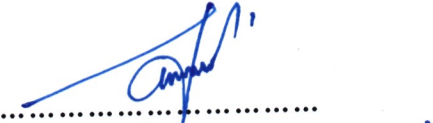


**Towards Ending Drought Emergencies**

**Annual Report and Financial Statements for the financial year ended June 30, 2023**

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)
	contractor's certificates for work completed.	Kshs. 7,095,457 and civil works of Kshs. 2,400,000 whose files has been provided for your review.		

  
 Name **Jonathan Mueke**  
 Principal Secretary

  
 Name **Blaise Odingo**  
 Project Coordinator

**Towards Ending Drought Emergencies**

**Annual Report and Financial Statements for the financial year ended June 30, 2023**

**Annex 2: Variance explanations - Comparative Budget and Actual amounts for FY 2022-2023**

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a-b	d=b/a %
<b>Receipts</b>				
Transfer from Government entities	43,683,928	40,383,384	3,300,544	92%
Proceeds from domestic and foreign grants	78,000,000	51,762,591	26,237,409	66%
<b>Total Receipts</b>	<b>121,683,928</b>	<b>92,145,975</b>	<b>29,537,953</b>	<b>76%</b>
<b>Payments</b>				
Compensation of employees	21,925,000	6,080,668	15,844,332	28%
Purchase of goods and services	66,366,400	56,754,879	9,611,521	86%
Acquisition of non-financial assets	7,113,500	3,790,000	3,323,500	53%
Transfers to other government entities	26,279,028	38,232,400	-11,953,372	0%
<b>Total payments</b>	<b>121,683,928</b>	<b>104,857,947</b>	<b>16,825,981</b>	<b>86%</b>

**Towards Ending Drought Emergencies**

**Annual Report and Financial Statements for the financial year ended June 30, 2023**

**Annex 3: Reconciliation of inter-entity transfers**

Project Name: Towards Ending Drought Emergencies			
Break down of transfers from the State Department of Livestock			
<b>a. Government Counterpart funding</b>			
	Bank Statement Date	Amount (Kshs)	Indicate the
	Various	40,383,384	
		-	
	<b>Total</b>	<b>40,383,384</b>	
<b>B. Direct payments</b>			
	Bank Statement Date	Amount (Kshs)	Indicate the
		-	
	<b>Total</b>	<b>-</b>	
<b>C. Others</b>			
	Bank Statement Date	Amount (Kshs)	Indicate the
		-	
		-	
	<b>Total</b>	<b>-</b>	
	<b>Total (A+B+C)</b>	<b>40,383,384</b>	

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

Project Coordinator  
Towards Ending Drought Emergencies  
Livestock Development

Sign \_\_\_\_\_

Head of Accounting Unit  
Ministry of Agriculture and

Sign \_\_\_\_\_

**Towards Ending Drought Emergencies  
Annual Report and Financial Statements for the financial year ended June 30, 2023**

**Annex 4a: Analysis of Pending Bills**

Supplier of Goods or Services	Date Contracted / Invoiced	Original Amount	Amount Paid To-Date	Outstanding Balance FY 2022-2023	Outstanding Balance FY2021-2022	Comments
		<b>a</b>	<b>b</b>	<b>c=a-b</b>		
<b>Sub-Total</b>						
Construction of civil works						
M/S Hallmark Cleaning					2,400,000	
<b>Sub-Total</b>					<b>2,400,000</b>	
Supply of goods						
Newabs Enterprises					1,605,000	
M/S Geomase Enterprises					1,597,500	
M/S Phybs Enterprise					1,040,000	
M/S Karcha Supplies					355,000	
M/S Prikong Enterprises					520,000	
M/S Ewado Enterprises					325,000	
M/S Crown Motors Group					5,035,388	
M/S Jevalyn Agencies					117,000	
M/S Safaricom Ltd					660,000	
M/S National oil Cooperation of Kenya					2,800,000	
M/S Crown Motors Group	17-Jun-22	5,035,388	-	5,035,388	5,035,388	
TOP ORIGON ENTERPRISES	05-May-23	2,950,000	-	2,950,000		
<b>Sub-Total</b>		<b>7,985,388</b>	<b>-</b>	<b>7,985,388</b>	<b>14,054,888</b>	
Supply of services						
M/S Finetops Enterprises	17-Jun-22	7,095,457	-	7,095,457	7,095,457	
<b>Sub-Total</b>		<b>7,095,457</b>	<b>-</b>	<b>7,095,457</b>	<b>7,095,457</b>	
<b>Grand Total</b>		<b>15,080,845</b>	<b>-</b>	<b>15,080,845</b>	<b>23,550,345</b>	

**Towards Ending Drought Emergencies**

**Annual Report and Financial Statements for the financial year ended June 30, 2023**

**Annex 4b: Analysis of Pending: Staff Bills**

Name of Staff	Job Group	Date Payable Contracted	Original Amount	Amount Paid To-Date	Outstanding Balance FY 2022-2023	Outstanding Balance Previous FY	Comments
<b>Permanent Employees - Management</b>							
STANLEY HUMAIYA	R		185,089.80	-	185,089.80		Lack of budget line
VARIOUS	VARIOUS		280,035.00	-	280,035.00		Lack of budget line
BLAISE OKINYI	P		31,500.00	-	31,500.00		Lack of budget line
BEATRICE TUEI	P		31,500.00	-	31,500.00		Lack of budget line
PETRONILLA NDUTHU	P		60,900.00	-	60,900.00		Lack of budget line
<b>Sub-Total</b>			<b>589,024.80</b>		<b>589,024.80</b>		
<b>Permanent Employees - Others</b>							
1.							
2.							
<b>Sub-Total</b>							
<b>Temporary employees</b>							
3.							
4.							
<b>Sub-Total</b>							
<b>Others (specify)</b>							
5.							
6.							
<b>Sub-Total</b>							
<b>Grand Total</b>			<b>589,024.80</b>		<b>589,024.80</b>		

*Towards Ending Drought Emergencies*  
*Annual Report and Financial Statements for the financial year ended June 30, 2023*

**Annex 5: Summary of Fixed Assets Register**

Asset class	Opening Cost (KShs) 2021/22	Donations in form of assets (KShs) 2022/23	*Purchases / Additions in the Year (KShs) 2022/23	**Disposals in the Year (KShs) 2022/23	Transfers in/(out) Kshs 2022/23	Closing Cost (KShs) 2023
	(a)	(b)	(c)	(d)	(d)	(e)= (a)+ (b)+c)- (d)+(-)d
Land						
Buildings and structures						
Transport equipment						
Office equipment, furniture and fittings			845,000			845,000
ICT Equipment,						
Other Machinery and Equipment	1,502,520		1,605,000			3,107,250.
Heritage and cultural assets						
Biological assets	2,814,690		1,340,000			4,154,690
Infrastructure assets roads, rails						
Intangible assets						
Work in Progress						
<b>Total</b>	<b>4,316,940</b>		<b>3,790,000</b>			<b>8,106,940</b>

**Annex 6: Other Support Documents**

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations statement as at 30<sup>th</sup> June 2023
- iii. Board of Survey Report
- iv. Special Deposit Account(s) reconciliation statement(s)
- v. GOK IFMIS comparison Trial Balance

**NOTE**

GOK IFMIS comparison Trial Balance is not attached since in this, the GOK counterpart funds are drawn from one exchequer account for all ministry institutions/ departments. It will therefore not give a true picture of the project financials. Instead, we prepared the project trial balance and attached to reflect the balances and figures reported.

**Towards Ending Drought Emergencies**  
**Annual Report and Financial Statements for the financial year ended June 30, 2023**

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