

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

13 MAR 2024

WED

OF

Hon Owen Baya, MP
Deputy Leader, majority party

THE AUDITOR-GENERAL

Ximam Mado

ON

**GREEN ZONES DEVELOPMENT
SUPPORT PROJECT PHASE II
(CREDIT NO.P.KE-AAD-005)**

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

KENYA FOREST SERVICE





**Project Name: GREEN ZONES DEVELOPMENT SUPPORT
PROJECT - PHASE II**

Implementing Entity: KENYA FOREST SERVICE

PROJECT GRANT/CREDIT NUMBER: P-KE-AAD-005

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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

**Green Zones Development Support Project - Phase II
Reports and Financial Statements
For the financial year ended June 30, 2023**

Green Zones Development Support Project - Phase II
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I. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name

Project Name: Green Zones Development Support Project Phase II

Project No: P-KE-AAD-005

Loan No's: A) 2100150040546

B) 2000200003402

Objective

The key objective of the project is to improve forest conservation and community livelihood for sustainable forest management in Kenya.

Address

The project headquarters offices are Nairobi County, Kenya.

The address of its registered office is:

Kenya Forest Service

P.O. Box 30513 – 00100,

Karura Forest, off Kiambu Road,

Nairobi - Kenya.

Contacts

The following are the project contacts

Telephone: (254) 020 2014663 / 020 2589055

E-mail: info@kenyaforestservice.org, director@kenyaforestservice.org

Website: www.kenyaforestservice.org

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PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.2 Project Information

Project Start Date:	The project start date is 17 July 2019
Project End Date:	The project end date is 30 June 2025
Project Manager:	The project manager is Mr. Jerome Mwanzia 'ndc'K
Project Sponsor:	The project sponsor is African Development Bank & Government of Kenya

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Environment, Climate Change and Forestry.
Project number	P-KE-AAD-005
Strategic goals of the project	The strategic goals of the project are as follows: (i) To enhance forest conservation and livelihood support for climate change resilience (ii) To develop timber, horticulture and maize value chains for improved household incomes.
Achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Forest conservation – rehabilitation of 328,750 Ha of degraded forest plantation establishment, bamboo, community farmlands and other landscapes. (ii) Community Livelihood support- this will be achieved through support to Income Generation Activities, and introduction of value chains for timber and food products
Other important background information of the project	The project is a follow-up to Green Zones Development Support Project (2006-2014) and is executed jointly with stakeholders and beneficiaries. It covers 15 counties around three forest ecosystems of Mau, Mt Kenya and Aberdare's.
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: (i) Improve forest cover (ii) Improve livelihood for communities living adjacent to the forest area.
Project duration	The project started on 17 July 2019 and is expected to run until 30 June 2025

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.4 Bankers

The following are the bankers for the current year:

(i) Project Account

Co-operative Bank

Ridgeways Branch

(ii) Special Account

CBK/GOK Green Zone Development Support Project

Standard Chartered Bank

London

1.5 Auditors

The project is audited by:

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084 – 00100 GPO

Nairobi, Kenya

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1.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Mr. J.M. Mwanzia 'ndc'K 0722 369 426 jmwanzia@kenyaforestservice.org	Program Manager	Master of Arts in International Studies (UoN,2016) Msc in soil mgt and conservation (University of Adelaide, Australia, 2001)	Overall coordination and management of the Program
Mr Stephen Kahunyo 0722 432 098	Deputy Project Manager	BSc in Forestry	Coordination of all field activities
Mr. N.M Mwatika 0721 357 392 nmwatika@kenyaforestservice.org	Monitoring & Evaluation Officer	MSC in project Management	Monitoring of the physical progress, evaluation and recommendations on activity implementation
Mr Basil Murila 0722 607 848 basilmurila@kenyaforestservice.org	Gender and Community Development Officer	Bachelor of Arts in Anthropology. Diploma in Project Administration	Head, community initiatives, HRBA and stakeholder engagement. Monitoring implementation of environmental and social management plans by the project
Mr John Mburu 0721 775523 mburujm@kenyaforestservice.org	Principal Procurement Officer	MBA (Procurement & Logistics) Member of Kenya Institute of Supplies Management (KISM).	Responsible for the management of the procurement process of goods and services and safety of assets
Ms Eunice Ondari 0724200942 eondari@kenyaforestservice.org	Project Accountant	CPA (K), Bachelor of Commerce (Finance)	Implementation of Finance and Accounts functions of the program

1.7 Funding summary

The Project is for duration of 6 years from 2019 to 2024 with an approved budget of UA 29,690,000 and EUR 5,204,000 from African Development Bank and GoK counterpart funds of Kshs 498,508,000, bringing the total to equivalent to Kshs 5,498,250,000 as highlighted in the table below:

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PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30 Jun 2023)		Undrawn balance to date	
	Donor currency	KShs	Donor currency	KShs	Donor currency	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
Africa Development Bank (EURO)	€ 5,204,000	646,594,200	€ 2,779,825	1,900,989,676	€ 2,424,175	3,098,752,324
Africa Development Fund (UA)	UA 29,690,000	4,353,147,800	UA 6,478,151		UA 23,211,849	
Total ADB/ADF		4,999,742,000		1,900,989,676		3,098,752,324
(ii) Counterpart funds						
Government of Kenya	-	498,508,000		353,416,870	-	145,091,130
Total		5,498,250,000		2,254,406,546		3,243,843,454

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PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

B. Application of Funds

Application of funds	Amount received to date – (30 June 2023)		Cumulative Amount paid to date – (30 June 2023)		Unutilised balance to date 30 Jun 2023	
	<i>Donor currency</i> (A)	<i>Kshs</i> (A')	<i>Kshs</i> (B')	<i>Donor currency</i> (A)-(B)	<i>Kshs</i> (A')-(B')	
(i) Loan						
Africa Development Bank (EURO)	€ 2,779,825	1,900,989,676	1,896,082,578		4,907,097	
Africa Development Fund (UA)	UA 6,478,151					
(ii) Counterpart funds						
Government of Kenya		353,416,870	345,442,433		7,974,437	
Total		2,254,406,546	2,241,525,012	-	12,881,534	

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

**1.8 Summary of Overall Project Performance:
Budget performance against actual amounts**

The project utilized the available resources against the approved workplan and printed/revised estimates satisfactorily.

Physical progress

The cumulative project achievements as at June 30, 2023 include;

- i. A total of 4,325 Ha of degraded natural forest areas have been rehabilitated in gazetted forests in Eastern, Central Highlands and Mau conservancies (3,931ha) planted with indigenous tree seedlings and 394 ha with Bamboo)
- ii. A total of 148,735 Ha of moderately degraded forest areas have been protected for natural regeneration using community scouts in the three project conservancies
- iii. 987 Ha of degraded natural forests have been fenced for regeneration
- iv. 3,460 Ha of plantation areas have been established in the forest stations in the project areas.
- v. A total of 17,263,917 tree seedlings have been propagated in KFS nurseries for use in the project planting programme.
- vi. A total of 1,781Ha, 1,289 Ha and 281 Ha of on-farm agroforestry systems, woodlots and fruit orchards respectively were established in the project areas
- vii. 127 Ha of degraded community hilltops have been rehabilitated through project support
- viii. 530 Km of degraded forest roads have been rehabilitated, while 4 bridges have been constructed in Kirinyaga, Muranga, Nyandarua and Baringo using KFS Road Units.
- ix. One model tree nursery was constructed in Meru
- x. Three forest ranger's outposts were constructed in Nyeri, Kisii and Meru.

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- xi. Four Community Resource Centres were constructed in Kiambu, Nyandarua, Baringo and Meru.
- xii. Construction of Forest Rangers Camps in Nakuru is 60% and that of Nyeri is 85% complete.
- xiii. A total of 26 units of 1 cabin pick-ups were procured and distributed forest stations in the 15 counties.
- xiv. A total of 45 units of single motor bikes were procured and distributed forest stations in the 15 counties
- xv. A total of 26 units of double cabin pick-ups were procured and distributed to the 15 counties, 4 HOCs, and KFS headquarters
- xvi. Four (4) Medium truck lorries for tree seedlings distribution and nursery operations were purchased and distributed to the four HOCs in project area.
- xvii. Two (2) mini-buses for capacity development were purchased for KFS and community utility;
- xviii. Three (3) management and oversight vehicles were procured for KFS management and project management for supervision, monitoring and oversight.
- xix. A total of 7 units of heavy duty passenger vehicles for forest protection were procured and distributed Regional Commanding Centre's.
- xx. 5 community Income Generating Groups initiated
- xxi. Farmers were supported with farm inputs and were able to produce 36,600 tons of food crops mainly potatoes, maize and beans.

Value for money achievements

The money so disbursed has been put to proper use as the project has successfully supported forest conservation within the state forests and outside and community livelihood initiatives (IGAs) for communities living adjacent to the forests.

Implementation challenges and recommended way forward:

The financial ceilings (Printed estimates) pegged by the National Treasury at KES 656,000 per year has not been sufficient enough for the project to implement its activities. Unpredictable weather conditions have also been a challenge.

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Way forward

The project will justify and prevail upon the National Treasury to upscale the project annual budgetary ceiling to at least KES 1.2 billion per year.

The project will adopt the early warning of weather periodically given by the department of meteorology.

1.9 Summary of Project Compliance:

The Program has ensured that all its activities carried out are within the laws of the Republic of Kenya, and under terms of the project agreement between the GoK and African Development Bank. It also ensured that all regulations and procedures of Kenya Forest Service have been followed. In cases of inconsistency between the GOK regulations and those of the donors, the latter regulations have been applied.

II. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES

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) To rehabilitate 10,250 Ha of degraded natural forest
- b) To raise 30 million indigenous tree seedlings (10million indigenous and 20 million exotic seedlings)
- c) To protect 300,000 Ha for natural regeneration
- d) To re-establish 10,000 ha of plantation forests
- e) To establish 5000 Ha of woodlots in community farmlands

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:

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Project	Objective	Outcome	Indicator	Performance
Green Zones Development Support Project Phase II	To rehabilitate 10,250 Ha of degraded natural forest	Increased forest cover	No. of Hectares rehabilitated	In FY 2019/2020 to 2022/2023, a cumulative total of 4,325 Ha was successfully rehabilitated. This translates to 42% progress towards end of project target
	To raise 30 million indigenous tree seedlings	Healthy seedlings for rehabilitation of degraded sites	No of seedlings propagated	A total of 17,263,917 tree seedlings were propagated, equivalent to 57% towards end of project targets
	To protect 300,000 Ha for natural regeneration	Increased forest cover	Hectares protected for regeneration	A total of 148,735 Ha have so far been protected for natural regeneration translating to 50% towards end of project target
	To re-establish 10,000 ha of plantation forests	Increased tree cover and provision of wood products to the economy	Hectares established	A total of 3,460Ha of plantations has been established since project commencement, translating to 35% progress towards end of year target
	To establish 5,000 Ha of woodlots in community farmlands.	Increased tree cover and community livelihood improvement	Hectares established	1,289Ha of community woodlots were established so far. This is 26% of end of project target

III. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Green Zones Development Support Project Phase II exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded in the project appraisal report: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar;

Environmental performance

Forest Conservation and Management Act 2016 provides the framework for environmental conservation work and our engagement modalities with Community Forest Associations. Specifically, the Act mandates the Service to develop Participatory Forest Management Plans which clearly spells out conservation activities to be undertaken in the forest. More importantly, the plans outlines the rights, responsibilities and Benefits of all stakeholders, key among them the communities. In line with this, the project has so far developed 3 management plans. More important, the forest rehabilitation is at the core of project activities.

Employee welfare

The project employs both skilled and unskilled casuals in the course of project implementation. Gender consideration is observed in the recruitment process. The Project Appraisal Report stipulates that the project beneficiaries should have a minimum of 40% female representation. Currently we are at 48%. This is reflected in the summary of employees and beneficiaries as tabulated below,

Male	Female	Total	% Female representation
31,593	28,856	60,449	48%

IV. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Chief Conservator of Forests of Kenya Forest Service and the Project Manager for Green Zones Development Support Project Phase II 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 period 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;
- (v) Selecting and applying appropriate accounting policies; and;
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Chief Conservator of Forests of Kenya Forest Service and the Project Manager of Green Zones Development Support Project Phase II 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 Chief Conservator of Forests of Kenya Forest Service and the Project Manager of Green Zones Development Support Project Phase II are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the period ended June 30, 2023, and of the Project's financial position as at that date. The Chief Conservator of Forests of Kenya Forest Service and the Project Manager of Green Zones Development Support Project Phase II 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.

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The Chief Conservator of Forests of Kenya Forest Service and the Project Manager of Green Zones Development Support Project Phase II confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

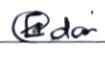
The Project financial statements were approved by the Chief Conservator of Forests of Kenya Forest Service and the Project Manager Green Zones Development Support Project on _____ 2023 and signed by them.



Chief Conservator of Forests
A. L. Lemarkoko 'ndc' K



Project Manager
Jerome Mwanzia 'ndc' K

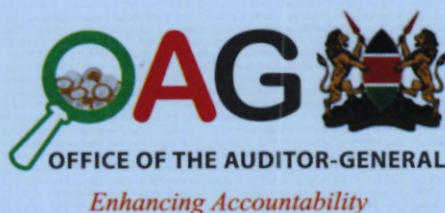


Project Accountant:
Eunice Ondari
ICPAK No. 29336

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REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON GREEN ZONES DEVELOPMENT SUPPORT PROJECT PHASE II (CREDIT NO.P.KE-AAD-005) FOR THE YEAR ENDED 30 JUNE, 2023 - KENYA FOREST SERVICE

PREAMBLE

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

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

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 Green Zones Development Support Project Phase II set out on pages 1 to 21, which comprise of the statement of

financial assets as at 30 June, 2023, the statement of receipts and payments, statement of cash flows and statement of comparative 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 Green Zones Development Support Project Phase II 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 the Public Finance Management Act, 2012 and comply with Loan Agreements No.2100150040546 and No.2000200003402 dated 23 April, 2019 between the African Development Bank and African Development Fund and the Government of the Republic of Kenya.

Basis for Opinion

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

Key Audit Matters

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

Other Matter

Low Absorption of Funds

Paragraph 1.7 (A) of the project information and overall performance reflects total Donor commitment of Kshs.4,999,742,000, out of which Kshs.1,900,989,676 or 38% had been disbursed as at 30 June, 2023. The undrawn balance of Kshs.3,098,752,324 indicates low absorption level of funds against the lapsed project period of four (4) years. Management may not absorb the undrawn balance by 30 June, 2025 when the project is to end.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed, 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 the International Standards for Supreme Audit Institutions (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 comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 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.

Responsibilities of the Management and those Charged with Governance

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

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

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

comply with the authorities which govern them and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the 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 which 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 which 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 overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls which 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 controls components does not reduce to a relatively low level, the risk that misstatements caused by error or fraud in amounts which 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 which 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 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 which 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 which 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 controls which 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 which may reasonably be thought to bear on my independence and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


04 December, 2023

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VI. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2023

	Note	2022/2023			2021/2022 (Restated)			Cumulative to-date (From inception)
		Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payments controlled by the entity	Payments made by third parties	Total	
		Kes	Kes	Kes	Kes	Kes	Kes	
RECEIPTS								
Transfer from Government entities	1	84,864,300		84,864,300	84,000,000		84,000,000	353,416,870
Loan from external development partners	2	426,562,682	145,908,802	572,471,484	394,086,117	239,731,371	633,817,488	1,900,989,676
Miscellaneous receipts	3	807,364	-	807,364	1,304,524	-	1,304,524	2,582,095
TOTAL RECEIPTS		512,234,346	145,908,802	658,143,148	479,390,641	239,731,371	719,122,012	2,256,988,641
PAYMENTS								
Compensation of employees	4	73,021,374	-	73,021,374	72,485,312	-	72,485,312	245,084,912
Purchase of goods and services	5	448,897,595	6,834,547	455,732,142	376,469,933	30,290,976	406,760,909	1,475,651,533
Acquisition of non-financial assets	6	8,161,732	139,074,255	147,235,987	9,894,539	209,440,395	219,334,934	523,336,271
TOTAL PAYMENTS		530,080,701	145,908,802	675,989,503	458,849,784	239,731,371	698,581,155	2,244,072,716
SURPLUS/(DEFICIT)		(17,846,355)	-	(17,846,355)	20,540,857	-	20,540,857	12,915,925

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


Chief Conservator of Forests
A. L. Lemarkoko 'ndc' K


Project Manager
Jerome Mwanzia 'ndc' K


Project Accountant:
Eunice Ondari
ICPAK Member No: 29336

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VII. STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2023

	Note	2022/2023	2021-2022
		Kes.	Kes.
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	7	12,881,534	31,540,659
Total Cash and Cash Equivalents		12,881,534	31,540,659
Accounts receivables – Imprest and Advances	8	8,163,905	1,913,698
TOTAL FINANCIAL ASSETS		21,045,439	33,454,357
Financial Liabilities			
Deposits and Retention monies	9	(8,129,513)	(2,692,076)
NET ASSETS		12,915,926	30,762,281
REPRESENTED BY			
Fund balance b/fwd	10	30,762,281	10,221,424
Surplus/(Deficit) for the year		(17,846,355)	20,540,857
NET FINANCIAL POSITION		12,915,926	30,762,281

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:



Chief Conservator of Forests
 A. L. Lemarkoko 'ndc' K



Project Manager
 Jerome Mwanzia 'ndc' K



Project Accountant:
 Eunice Ondari
 ICPAK No: 29336

Green Zones Development Support Project - Phase II
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VIII. STATEMENT OF CASHFLOW FOR THE PERIOD 30 JUNE 2023

		2022/2023	2021-2022
	Note	Kes	Kes
CASHFLOW FROM OPERATING ACTIVITIES			
Receipts from operating activities			
Transfer from Government entities	1	84,864,300	84,000,000
Miscellaneous receipts	3	807,364	1,304,524
Payments from operating activities			
Compensation of employees	4	(73,021,374)	(72,485,312)
Purchase of goods and services	5	(448,897,595)	(376,469,933)
Adjustments during the year			
Prior Year Adjustments		-	-
Decrease/(Increase) in Accounts Receivable	11	(6,250,207)	998,152
Increase/(decrease) in accounts payable:	12	5,437,438	2,692,076
Net cash flow from operating activities		(437,060,074)	(359,960,493)
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of non-financial assets	6	(8,161,732)	(9,894,539)
Net cash flows from Investing Activities		(8,161,732)	(9,894,539)
CASHFLOW FROM BORROWING ACTIVITIES			
Loan from external development partners	2	426,562,682	394,086,117
Net cash flow from financing activities		426,562,682	394,086,117
NET INCREASE IN CASH AND CASH EQUIVALENTS		(18,659,124)	24,231,085
Cash and cash equivalent at BEGINNING of the year	7	31,540,659	7,309,573
Cash and cash equivalent at END of the year	7	12,881,534	31,540,659

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:


 Chief Conservator of Forests
 A. L. Lemarkoko 'ndc' K


 Project Manager
 Jerome Mwanzia 'ndc' K


 Project Accountant:
 Eunice Ondari
 ICPAK No: 29336

Green Zones Development Support Project - Phase II
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IX. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfer from Government entities	100,000,000		100,000,000	84,864,300	(15,135,700)	85%
Loan from external development partners	656,000,000	(77,500,000)	578,500,000	572,471,484	(6,028,516)	99%
Miscellaneous receipts	-		-	807,364	807,364	0%
Total Receipts	756,000,000	(77,500,000)	678,500,000	658,143,148	(20,356,852)	97%
Payments						
Compensation of employees	92,077,500	(18,000,000)	74,077,500	73,021,374	(1,056,126)	99%
Purchase of goods and services	424,286,563	32,700,000	456,986,563	455,732,142	(1,254,421)	100%
Acquisition of non-financial assets	239,635,937	(92,200,000)	147,435,937	147,235,987	(199,950)	100%
Total Payments	756,000,000	(77,500,000)	678,500,000	675,989,503	(2,510,497)	100%
Surplus/(Deficit)	-	-	-	(17,846,355)	(17,846,355)	0%

Note: There were no budget variances below 90% or over 100% during the current period.


 Chief Conservator of Forests
 A. L. Lemarkoko 'ndc' K


 Project Manager
 Jerome Mwanzia 'ndc' K


 Project Accountant:
 Eunice Ondari
 ICPAK No: 29336

X. SIGNIFICANT ACCOUNTING POLICIES

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

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.

2. Reporting entity

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

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.

4. Significant Accounting Policies

a) Recognition of receipts

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

i. Transfers from the Exchequer

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

ii. External Assistance

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

iii. Other receipts

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

b) Donations and grants

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

Significant Accounting Policies (Continued)

c) Proceeds from borrowing

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

d) Undrawn external assistance

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

e) Recognition of payments

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

i. Compensation of employees

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

ii. Use of goods and services

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

iii. Interest on borrowing

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

Significant Accounting Policies (Continued)

iv. Repayment of borrowing (principal amount)

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

v. Acquisition of fixed assets

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

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

f) In-kind donations

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

Significant Accounting Policies (Continued)

g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

Restriction on cash

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

h) 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.

Significant Accounting Policies (Continued)

i) Contingent Liabilities

A contingent liability is:

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

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

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

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

j) Contingent Assets

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

Significant Accounting Policies (Continued)

k) Pending bills

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

l) Budget

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

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

m) Third party payments

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

Significant Accounting Policies (Continued)

n) Exchange rate differences

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

o) Comparative figures

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

p) Subsequent events

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

q) Errors

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

- i. Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

With regard to this, the project has restated the comparative figures for the financial year 2021-2022. This has been necessitated due to an error whereby a direct payment of Kes.2,257,628 was erroneously omitted from the project's statements in financial year 2021/2022.

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XI. NOTES TO THE FINANCIAL STATEMENTS

1. RECEIPTS FROM GOVERNMENT OF KENYA

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

Description	KShs		Cumulative to-date (from inception)
	2022-2023	2021-2022	
Counterpart funding through Ministry of Environment, Climate Change and Forestry			
Counterpart funds Quarter 1	21,216,075	21,000,000	64,882,224
Counterpart funds Quarter 2	21,216,075	21,000,000	68,202,496
Counterpart funds Quarter 3	21,216,075	21,000,000	119,416,075
Counterpart funds Quarter 4	21,216,075	21,000,000	100,916,075
Total (See Annex 1)	84,864,300	84,000,000	353,416,870

2. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30 June 2023, 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		Total amount in KShs	
			cash	Loans received as direct payment*	2022-2023	2021-2022 (Restated)
			KShs	KShs		
Loans Received from Multilateral Donors (International Organisations)						
African Development Bank/Fund Loan			426,562,682	145,908,802	572,471,484	633,817,488
Total			426,562,682	145,908,802	572,471,484	633,817,488

*The comparative figures of the financial statements has been restated to correct an error whereby a direct payment paid of Kes.2,257,628 was erroneously omitted from the 2021-2022 financial statements.

3. MISCELLANEOUS RECEIPTS

	2022-2023			2021-2022	Cumulative to-date (from inception)
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total Receipts	Total Receipts	
	KShs	KShs	KShs	KShs	KShs
Interest Income earned	807,364	-	807,364	1,304,524	2,582,095
Total	807,364	-	807,364	1,304,524	2,582,095

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. COMPENSATION OF EMPLOYEES

Description	2022-2023			2021-2022	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Casual Labour	73,021,374	-	73,021,374	72,485,312	245,084,712
Total	73,021,374	-	73,021,374	72,485,312	245,084,712

5. PURCHASE OF GOODS AND SERVICES

Description	2022-2023			2021-2022 (Restated)	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Staff Welfare Costs	299,000	-	299,000	-	566,500
Electricity	1,086,737	-	1,086,737	831,724	4,346,371
Water and Sewerage Charges	410,703	-	410,703	381,578	1,254,935
Telephone, Telex, Facsimile and Computer	1,210,091	-	1,210,091	1,119,292	4,693,793
Courier and Postal Services	9,450	-	9,450	-	85,070
Supplies of Accessories for Computers & Printers	3,937,193	-	3,937,193	1,825,350	9,736,612
Travel Costs (airlines, bus, railway, mileage)	640,790	-	640,790	276,775	6,509,956
Daily Subsistence Allowance	78,267,826	-	78,267,826	48,750,315	206,902,588
Publishing and Printing Services	165,000	-	165,000	-	199,250
Media, Newspapers, Magazines and Periodicals	34,140	-	34,140	34,020	68,160
Advertising, Awareness and Publicity Campaigns	1,592,438	-	1,592,438	805,710	4,461,589
Training	25,620,235	-	25,620,235	22,374,194	71,591,935
Hire of Training Facilities and Equipment	421,800	-	421,800	428,500	3,534,763
Motor Vehicle Insurance	8,702,396	-	8,702,396	-	28,883,473
Fungicides, Insecticides and Sprays	-	-	-	295,000	1,005,800
General Office Supplies (papers, pencils, etc)	5,536,148	-	5,536,148	3,842,921	17,264,168
Cleaning Materials, Supplies and Services	34,950	-	34,950	447,412	2,459,336
Catering services	1,622,884	-	1,622,884	687,630	3,386,439
Refined Fuels and Lubricants	44,322,907	-	44,322,907	24,815,267	97,084,281

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
 5. PURCHASE OF GOODS AND SERVICES(Continued)

Description	2022-2023			2021-2022 (Restated)	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	
Bank Service Commission and Charges	371,460	-	371,460	238,230	1,053,928
Contracted Professional Services	-	-	-	-	4,735,314
Contracted Technical Services *	38,229,456	6,834,547	45,064,003	93,616,190	181,539,296
Special Operations	1,357,900	-	1,357,900	847,000	4,222,720
Food and Rations	2,159,798	-	2,159,798	1,115,650	13,158,493
Events and Celebrations	2,783,220	-	2,783,220	931,300	4,462,420
Tree seeds and seedlings.	43,955,231	-	43,955,231	90,418,782	297,260,879
Supplies for production	75,082,561	-	75,082,561	32,251,511	217,514,923
Seminars and Conferences	2,329,573	-	2,329,573	2,567,860	7,246,283
Tree Planting	2,399,858	-	2,399,858	1,049,250	3,995,668
Board Sitting Allowance	240,000	-	240,000	-	-
Board Accommodation Allowance	254,800	-	254,800	-	-
Board Transport Allowance	61,532	-	61,532	-	-
Maintenance of Motor Vehicles	23,851,932	-	23,851,932	13,060,359	52,736,583
Maintenance of Plant, Machinery and Equipment	434,000	-	434,000	268,000	785,000
Maintenance of Office Furniture and Equipment	-	-	-	-	143,400
Maintenance of Buildings - Residential	28,000	-	28,000	451,488	636,573
Maintenance of Buildings and Stations-Non-Residential	6,475,807	-	6,475,807	4,765,770	14,624,508
Maintenance of Civil Works	37,492,861	-	37,492,861	34,592,061	83,757,263
Maintenance of Roads	27,075,976	-	27,075,976	22,567,769	110,803,890
Maintenance of Computers & Networks	-	-	-	18,500	18,500
Staff Uniforms and Clothing	-	-	-	-	880,100
Grants, subsidies and transfers.	9,591,003	-	9,591,003	-	-
VAT Expense	807,939	-	-	-	-
Covid-19	-	-	-	1,085,500	1,085,500
	448,897,595	6,834,547	454,924,203	406,760,908	1,464,696,260

*The Contracted Technical Services line in the comparative figures of the financial statements has been restated to correct an error whereby a direct payment paid of Kes.2,257,628 was erroneously omitted from the 2021-2022 financial statements.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. ACQUISITION OF NON-FINANCIAL ASSETS

Description	2022-2023			2021-2022	
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	Cumulative to- date
	KShs	KShs	KShs	KShs	KShs
Motor Vehicles	-	54,581,240	54,581,240	95,368,000	248,695,506
Motor Cycles	-	-	-	18,260,055	18,260,055
Office Furniture and Fittings	271,390	-	271,390	416,000	687,390
Computers, Printers and other IT Equipment	-	-	-	627,500	1,885,604
ICT, Exchanges and Other Communications	198,900	-	198,900	-	198,900
Photocopiers and other Office Equipment	-	-	-	169,500	169,500
Machinery and Equipment	-	-	-	66,450,000	66,450,000
Non-Residential Buildings	-	-	-	2,997,437	2,997,437
Work In Progress-Non Residential	3,403,060	61,556,931	64,959,991	23,582,801	88,542,791
Work In Progress-Residential	4,288,382	22,936,084	27,224,466	10,983,641	38,208,107
Household & Institutional Appliances	-	-	-	480,000	480,000
	8,161,732	139,074,255	147,235,987	219,334,934	466,575,290

7. CASH AND CASH EQUIVALENTS

Description	2022-2023	2021-2022
	KShs	KShs
Bank accounts	12,881,534	31,540,659
Total	12,881,534	31,540,659

7. A Bank Accounts
 Project Bank Accounts

Description	2022-2023	2021-2022
	KShs	KShs
Local Currency Accounts		
Co-operative Bank of Kenya – GOK Account [A/c No. 01141532868705]	7,974,437	28,986,814
Co-operative Bank of Kenya – Donor Account [A/c No. 011417563225800]	4,907,097	2,553,845
Total bank account balances	12,881,534	31,540,659

**Green Zones Development Support Project - Phase II
Reports and Financial Statements
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th 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

Description	2022-2023	2021-2022
	EUR	EUR
Green Zones Development Support Project [A/c No. 1000416017]		
Opening balance	229,488	-
Total amount deposited in the account	3,343,596	3,322,811
Total amount withdrawn (as per Statement of Receipts & Payments)	(3,308,479)	(3,093,324)
Closing balance (as per SDA bank account reconciliation attached)	264,604	229,488

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. ACCOUNTS RECEIVABLES

Description	2022-2023	2021-2022
	KShs	KShs
Temporary Imprest	3,269,853	626,236
Zonal Control Account - Development	2,113,677	1,237,462
Supplier Prepayments	2,780,375	50,000
Total	8,163,905	1,913,698

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. DEPOSITS AND RETENTION

Description	2022-2023	2021-2022
	KShs	KShs
Retention	8,129,513	2,692,076
Total	8,129,513	2,692,076

10. FUND BALANCE BROUGHT FORWARD

Description	2022-2023	2021-2022
	KShs	KShs
Bank accounts	12,881,534	31,540,659
Outstanding imprests and advances	8,163,905	1,913,698
Less: deposits and retention	(8,129,513)	(2,692,076)
Total	12,915,926	30,762,281

11. CHANGES IN RECEIVABLE

Description	2022-2023	2021-2022
	KShs	KShs
Opening Receivables as at 1 July 2022	1,913,698	2,911,850
Closing Receivables as at 30 June 2023	8,163,905	1,913,698
Change in Receivables	6,250,207	(998,152)

12. CHANGES IN ACCOUNTS PAYABLES

Description	2022-2023	2021-2022
	KShs	KShs
Deposits and Retention as at 1 July 2022	2,692,076	-
Deposits and Retention as at 30 June 2023	8,129,513	2,692,076
Change in payables	5,437,437	2,692,076

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XII. OTHER IMPORTANT DISCLOSURES

1. EXTERNAL ASSISTANCE

Description	2022-2023	2021-2022
	KShs	KShs
External assistance received as loans	426,562,682	394,086,117
External assistance received in kind- as payment by third parties	145,908,802	237,473,743
Total	572,471,484	631,559,860

a) External assistance relating loans and grants

Description	2022-2023	2021-2022
	KShs	KShs
External assistance received as loans	572,471,484	631,559,860
Total	572,471,484	631,559,860

b) Undrawn external assistance

Description	2022-2023	2021-2022
	KShs	KShs
Undrawn external assistance - loans	3,098,752,324	3,673,481,436
Total	3,098,752,324	3,673,481,436

c) Classes of providers of external assistance

Description	2022-2023	2021-2022
	KShs	KShs
Multilateral donors	572,471,484	631,559,860
Total	572,471,484	631,559,860

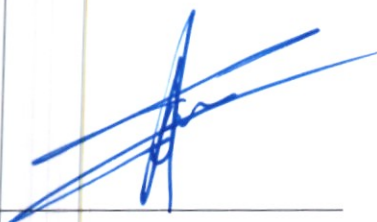
d) Purpose and use of external assistance

Description	2022-2023	2021-2022
	KShs	KShs
Compensation to employees		68,738,853
Use of goods and services		349,089,396
Acquisition of assets		213,731,611
Total	-	631,559,860

N/B The above sub-classification will be adopted based on the purpose of the external assistance and how the external assistance was used.

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

There were no issues raised by the Auditor in the prior year.



Chief Conservator of Forests
A. L. Lemarkoko 'ndc' K

Date



Project Manager
Jerome Mwanzia 'ndc' K

Date

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XIV. ANNEXES

ANNEX 1: RECONCILIATION OF INTER-ENTITY TRANSFERS

PROJECT NAME: GREEN ZONES DEVELOPMENT SUPPORT PROJECT – PHASE II

Break down of Transfers from the State Department Forestry

Description	Bank Statement Date	Amount (KShs)	FY
a. Government Counterpart Funding			
	14-Oct-22	19,079,000	2022/2023
	24-Jan-23	5,700,000	2022/2023
	01-Mar-23	10,000,000	2022/2023
	04-May-23	25,000,000	2022/2023
	15-Jun-23	7,950,300	2022/2023
	26-Jun-23	17,135,000	2022/2023
	Total	84,864,300	
b. Donor Funding			
	09-Sep-22	27,818,730	2022/2023
	27-Oct-22	213,259,379	2022/2023
	25-Apr-23	58,427,907	2022/2023
	15-Jun-23	127,056,666	2022/2023
	Total	426,562,682	
c. Direct Payments			
Tecmak Global Limited	09-Dec-22	3,613,850	2022/2023
Flonic General Supplies & Contractors Limited	13-Sep-22	6,409,107	2022/2023
Flonic General Supplies & Contractors Limited	19-Sep-22	2,881,266	2022/2023
Build Max	05-Dec-22	1,132,723	2022/2023
Gilberg Associates	21-Dec-22	2,006,000	2022/2023
Trisol Engineering Limited	21-Dec-22	4,285,463	2022/2023
Newtrex Company Limited	21-Dec-22	4,988,038	2022/2023
Trisol Engineering Limited	21-Dec-22	6,498,090	2022/2023
Expres General Suppliers Ltd	17-Feb-23	1,260,553	2022/2023
Flonic General Supplies & Contractors Limited	13-Mar-23	3,010,950	2022/2023
Tecmak Global Limited	13-Mar-23	4,188,412	2022/2023
Trans-Africa Agribusiness Solutions	14-Mar-23	2,075,347	2022/2023
Newtrex Company Limited	22-Mar-23	2,645,612	2022/2023
CFAO Motors Limited	16-May-23	46,943,925	2022/2023
Flonic General Supplies & Contractors Limited	24-May-23	2,719,256	2022/2023
Tecmak Global Limited	24-May-23	4,694,393	2022/2023
Kilowatt Engineering Solution Limited	24-May-23	5,761,651	2022/2023
Newtrex Company Limited	26-Jun-23	2,984,878	2022/2023
Helios Construction Limited	26-Jun-23	6,149,800	2022/2023
Tecmak Global Limited	30-Jun-23	1,867,619	2022/2023
Build Max	30-Jun-23	452,370	2022/2023
Expres General Suppliers Ltd	30-Jun-23	474,720	2022/2023
Trisol Engineering Limited	30-Jun-23	6,751,983	2022/2023
CFAO Motors Limited	30-Jun-23	7,637,315	2022/2023
Kilowatt Engineering Solution Limited	30-Jun-23	9,764,080	2022/2023

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Newtrex Company Limited	30-Jun-23	1,958,201	2022/2023
Francis and Allen	30-Jun-23	2,753,200	2022/2023
	Total	145,908,802	
	TOTAL(a+b+c)	657,335,784	

The above amounts have been communicated to and reconciled with the Ministry of Environment, Climate Change and Forestry.

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ANNEX 2 – SUMMARY OF FIXED ASSETS REGISTER

Asset class	Opening Cost	Donations in form of assets	*Purchases/ Additions in the Year	**Disposals in the Year	Transfers in/(out)	Closing Cost
	2022/2023 Kes. (a)	2022/2023 Kes. (b)	2022/2023 Kes. (c)	2022/2023 Kes. (d)	2022/2023 Kes. (d)	2022/2023 Kes. (e)= (a)+(b)+(c)- (d)+(-d)
Buildings and structures	2,997,437		-			2,997,437
Transport equipment	254,083,010		54,581,240			308,664,250
Office equipment, furniture and fittings	6,191,009		271,390			6,462,399
ICT Equipment,	10,657,714		198,900	-		10,856,614
Other Machinery and Equipment	66,450,000		-			66,450,000
Work in Progress	34,566,442		92,184,457			126,750,898
Total	374,945,612	-	147,235,987	-	-	522,181,598

Notes

* Purchases/Additions in the year reconciled to the amount in Statement of Receipts and Payments