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THE AUDITOR-GENERAL

ON

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

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

KENYA FOREST SERVICE



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

23 OCT 2024

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**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, 2024

**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, 2024



Green Zones Development Support Project - Phase II
Reports and Financial Statements
for the financial year ended June 30, 2024

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1. ACRONYMS AND DEFINITION OF TERMS

ADB	African Development Bank
ADF	African Development Fund
AIA	Appropriations in Aid
ASALs	Arid and Semi-Arid Lands
BETA	Bottom-up Economic Transformation Agenda
CCF	Chief Conservator of Forests
CFA	Community Forest Association
CSR	Corporate Social Responsibility
FAO	Food and Agriculture Organization
FCMA	Forest Conservation and Management Act, 2016
GOK	Government of Kenya
GZDSP	Green Zones Development Support Project
ICPAK	Institute of Certified Public Accountants of Kenya
IGA	Income Generating Activities
IPSAS	International Public Sector Accounting Standards
KFC	Kenya Forestry College
KFS	Kenya Forest Service
MDAs	Ministries, Departments, Agencies
OAG	Office of the Auditor General
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
UA	Unit of Account

2. PROJECT INFORMATION AND OVERALL PERFORMANCE

2.1 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:

Green Zones Development Support Project – Phase II

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)

2.2 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

2.3 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)

2.4 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

2.5 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

**Green Zones Development Support Project - Phase II
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2.6 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*	Deputy Project Manager	BSc in Forestry	Coordination of all field activities
Mr. Alfred Kurgat*	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

**Mr. Stephen Kahunyo retired in January 2024 and was replaced by Mr. Alfred Kurgat.*

2.7 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 2024)		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	€ 3,260,398		€ 1,943,602	
Africa Development Fund (UA)	UA 29,690,000	4,353,147,800	UA 17,497,236	2,878,680,309	UA 12,192,764	2,121,061,691
Total ADB/ADF		4,999,742,000		2,878,680,309		2,121,061,691
(ii) Counterpart funds						
Government of Kenya	-	498,508,000		453,916,870	-	44,591,130
Total		5,498,250,000		3,332,597,179		2,165,652,821

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PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

B. Application of Funds

Application of funds	Amount received to date – (30 June 2024)		Cumulative Amount paid to date – (30 June 2024)		Unutilised balance to date 30 Jun 2024	
	<i>Donor currency</i>	<i>Kshs</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>	
	<i>(A)</i>	<i>(A')</i>	<i>(B')</i>	<i>(A)-(B)</i>	<i>(A')-(B')</i>	
(i) Loan						
Africa Development Bank (EURO)	€ 3,260,398					
Africa Development Fund (UA)	UA 17,497,236	2,878,680,309	2,878,026,856		653,452	
(ii) Counterpart funds						
Government of Kenya		453,916,870	452,864,145		1,052,725	
Total		3,332,597,179	3,330,891,002	-	1,706,177	

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

2.8 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, 2024 include;

- i. A total of 8,115 Ha of degraded natural forest areas have been rehabilitated in gazetted forests in Eastern, Central Highlands and Mau conservancies. These include 7,182ha planted with indigenous tree seedlings 577ha planted with Bamboo and 356ha of forest area under invasive species restored.
- ii. A total of 218,735 Ha of moderately degraded forest areas have been protected for natural regeneration using community scouts in the three project conservancies
- iii. 1,142 Ha of degraded natural forests have been fenced for regeneration
- iv. 5,579 Ha of plantation areas have been established in the forest stations in the project areas.
- v. A total of 56,856,130 tree seedlings have been propagated in KFS nurseries for use in the project planting programme.
- vi. A total of 3,166 Ha, 3,762 Ha and 331 Ha of on-farm agroforestry systems, woodlots and fruit orchards respectively were established in the project areas
- vii. 287 Ha of degraded community hilltops have been restored.
- viii. 34 Community Income Generating Groups have been initiated
- ix. Farmers were supported with farm inputs and were able to produce 86,407 tons of food crops mainly potatoes, maize beans and fruits.
- x. 653 Km of degraded forest roads have been rehabilitated and maintained, while 5 bridges have been constructed in Kirinyaga, Muranga, Nyandarua Baringo and Nyeri using KFS Road Units.

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- xi. One model tree nursery was constructed in Meru and one each have initiated in Nyandarua, Nakuru, Kericho and Baringo.
- xii. Three forest ranger's outposts were constructed in Nyeri, Kisii and Meru.
- xiii. Four Community Resource Centres were constructed in Kiambu, Nyandarua, Baringo Meru and one is ongoing construction at Kenya Forest Service headquarters Karura.
- xiv. Construction of Forest Rangers Camps in Nakuru is 90% and that of Nyeri is 100% complete.
- xv. A total of 26 units of 1 cabin pick-ups were procured and distributed forest stations in the 15 counties.
- xvi. A total of 45 units of single motor bikes were procured and distributed forest stations in the 15 counties
- xvii. A total of 26 units of double cabin pick-ups were procured and distributed to the 15 counties, 4 RFCs, and KFS headquarters
- xviii. Four (4) Medium truck lorries for tree seedlings distribution and nursery operations were purchased and distributed to the four HOCs in project area.
- xix. Two (2) mini-buses for capacity development were purchased for KFS and community utility;
- xx. Three (7) management and oversight vehicles were procured for KFS management and project management for supervision, monitoring and oversight.
- xxi. A total of 7 units of heavy duty passenger vehicles for forest protection were procured and distributed Regional Commanding Centre's.

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, community hills, on-farm 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 has not been sufficient enough for the project to implement its activities. Unpredictable weather conditions have also been a challenge.

Way forward

The project will justify and prevail upon the National Treasury to upscale the project annual budgetary ceiling to at least KES 2 billion per year.

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

2.9 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.

3. 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 2023/2024, a cumulative total of 8,115 Ha was successfully rehabilitated. This translates to 79% 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 56,856,130 tree seedlings were propagated, equivalent to 190% towards end of project targets
	To protect 300,000 Ha for natural regeneration	Increased forest cover	Hectares protected for regeneration	A total of 218,735 Ha have so far been protected for natural regeneration translating to 72% 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 5,579 Ha of plantations have been established since project commencement, translating to 56% 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	3,166 Ha of community woodlots were established so far. This is 63% of end of project target

IV. 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 outline the rights, responsibilities and Benefits of all stakeholders, key among them the communities. In line with this, the project has so far developed 4 and renewed 20 Forest Management Plans. More important, the forest rehabilitation is at the core of project activities. The project continued to implement the Environmental and Social Management Plans alongside its core 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%

V. 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, 2024. This responsibility includes:

- (i) Maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project;
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) Safeguarding the assets of the 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, 2024, 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.

**Green Zones Development Support Project - Phase II
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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 30/09/ 2024 and signed by them.



Chief Conservator of Forests
A. L. Lemarkoko EBS, 'ndc' (K)



Project Manager
Jerome Mwanzia 'ndc' (K)



Project Accountant:
CPA Eunice Ondari
ICPAK No. 29336

REPUBLIC OF KENYA



Enhancing Accountability

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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, 2024 - 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 is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Unmodified Opinion indicates the books of accounts and underlying records agree with the financial statements and that no materials misstatements were found. The financial statements present fairly, in all material respects the operations of the entity. An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, is effective in the use of resources, or that its internal control, risk management and governance systems are properly designed and working effectively in the financial year under review.

The Unmodified Opinion on the report on the Financial Statements should be read together with the report on the Lawfulness and Effectiveness in the Use of Public Resources, and the report on the Effectiveness of Internal Controls, Risk Management and Governance.

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities 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 25, which comprise of the statement of financial assets as at 30 June, 2024 and the statement of receipts and payments, statement of cash flows and 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, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis), and 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, African Development Fund and the Government of the Republic of Kenya.

In addition, the special accounts statements present fairly, transactions for the year, and the closing balance have been reconciled with the books of account.

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

Other Information

Conclusion

The Management is responsible for the other information set out on page iv to xvii which comprise of Project Information and Overall Performance, Statement of Performance Against Project's Predetermined Objectives, Corporate Social

Responsibility Statement/Sustainability Reporting and Statement of Project Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

Basis for Conclusion

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

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

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, except for the effect(s) of the matter(s) described in the Basis for Conclusion on the Lawfulness and Effectiveness in Use of Public Resources section of my report I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Failure to Achieve Project Performance Objectives

During the year under review, the project was supposed to achieve set objectives as per the approved work plan. Other than the raising of the indigenous tree seedlings which surpassed the set target, many of the objective achievements were at 79% and 56%. This performance objective rates indicates an under absorption of project funds in line with the project life line which comes to an end in June, 2026.

As per the GZDSP II project funding summary for the years 2019/2020 to 2023/2024, the project cycle estimates were Kshs.4,590,000,000 against the printed estimates of Kshs.3,863,000,000 resulting to budget under-funding of Kshs.727,000,000. Further, for the same period, the donor has disbursed an amount of Kshs.2,981,235,482 against receipts/disbursement to the project amount of Kshs.2,878,680,309 resulting to withheld funding by the Central Bank of Kenya of Kshs.102,555,173. Out of the funds withheld, an amount of Kshs.33,614,513 is for the year under review. These funds have not been disbursed or accounted for.

In the circumstances, failure to disburse the project funds already disbursed by the donor, is a breach of the financing agreement and is an impediment to the project achieving its objectives.

2. Failure by the Project Steering Committee (PSC) to meet its Obligatory Responsibility

Annex B.3 Implementation Arrangements of the Kenya Green Zones-2 project-PAR Technical Annexes dated April, 2018 states that; at the National level, a Project Steering Committee (PSC) would be established to oversee project implementation. The main task would be to review and approve the project's annual work plans and related budget to ensure adherence to project development objectives. It further states that the PSC will also monitor performance of the project and advise it on policy issues to ensure adherence to project development objectives and also provide guidance to project management and resolve problems that might arise during project implementation. The minutes provided for audit indicated that, the Project Steering Committee last met on 09 June, 2023. However, in the year under review, the committee did not meet as mandated and therefore, it was not possible to ascertain how project work plans and related budgets were reviewed and how monitoring and implementation of project objectives were done.

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

3. Low Absorption of Funds and Undrawn Balances

The Government signed an agreement for a loan from Africa Development Bank and Africa Development Fund for combined amount of Kshs.4,999,742,000 and counterpart funds of Kshs.498,508,000 from the Government of Kenya out of which only Kshs.3,332,597,179 had been received as at 30 June, 2024 resulting to undrawn balance of Kshs.2,165,652,821 leading to low absorption of funds. However, the project is expected to be completed by 30 June, 2025.

In the circumstances, there is risk of lack of absorption, posing risks that the project's timelines would end without implementing all the planned activities and therefore not meeting all the projects' objectives.

The audit was conducted in accordance with ISSAIs 3000 and 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, 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 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by African Development Bank Financing Agreement Credit No.P-KE-AAD-005 dated 17 July, 2019 between African Development Bank and the Republic of Kenya, I report based on my audit, that 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:-

- i. Adequate accounting records have been kept by the Project, so far as it appears from the examination of those records; and,
- ii. The Project's financial statements agree with the accounting records and returns.

Responsibilities of the Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention 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 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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the

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

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

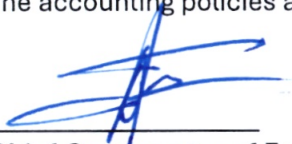
11 November, 2024


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VII. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2024

	Note	2023/2024			2022/2023			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	100,500,000		100,500,000	84,864,300		84,864,300	453,916,870
Loan from external development partners	2	700,240,079	277,450,554	977,690,633	426,562,682	145,908,802	572,471,484	2,878,680,309
Miscellaneous receipts	3	1,016,707	-	1,016,707	807,364	-	807,364	3,598,802
TOTAL RECEIPTS		801,756,786	277,450,554	1,079,207,340	512,234,346	145,908,802	658,143,148	3,336,195,981
PAYMENTS								
Compensation of employees	4	187,901,596	-	187,901,596	73,021,374	-	73,021,374	432,986,508
Purchase of goods and services	5	621,716,757	23,912,800	645,629,557	448,897,595	6,834,547	455,732,142	2,121,281,090
Acquisition of non-financial assets	6	9,646,820	249,231,995	258,878,815	8,161,732	139,074,255	147,235,987	782,215,086
TOTAL PAYMENTS		819,265,173	273,144,795	1,092,409,968	530,080,701	145,908,802	675,989,503	3,336,482,684
SURPLUS/(DEFICIT)		(17,508,387)	4,305,759	(13,202,628)	(17,846,355)	-	(17,846,355)	(286,703)

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 EBS, 'ndc' (K)


 Project Manager
 Jerome Mwanzia 'ndc' (K)

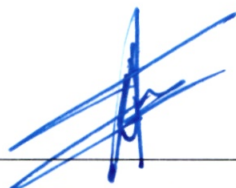

 Project Accountant:
 CPA Eunice Ondari
 ICPAK Member No: 29336

Green Zones Development Support Project - Phase II
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VIII. STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2024

	Note	2023/2024	2022/2023
		Kes.	Kes.
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	7	1,706,177	12,881,534
Total Cash and Cash Equivalents		1,706,177	12,881,534
Accounts receivables – Imprest and Advances	8	14,711,246	8,163,905
TOTAL FINANCIAL ASSETS		16,417,423	21,045,439
Financial Liabilities			
Deposits and Retention monies	9	(16,704,125)	(8,129,513)
NET ASSETS		(286,702)	12,915,926
REPRESENTED BY			
Fund balance b/fwd	10	12,915,926	30,762,281
Surplus/(Deficit) for the year		(13,202,628)	(17,846,355)
NET FINANCIAL POSITION		(286,702)	12,915,926

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30/09/2024 and signed by:



Chief Conservator of Forests
 A. L. Lemarkoko EBS, 'ndc' (K)



Project Manager
 Jerome Mwanzia 'ndc' (K)



Project Accountant:
 CPA Eunice Ondari
 ICPAK No: 29336


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IX. STATEMENT OF CASHFLOW FOR THE PERIOD 30 JUNE 2024

		2023/2024	2022/2023
	Note	Kes	Kes
CASHFLOW FROM OPERATING ACTIVITIES			
Receipts from operating activities			
Transfer from Government entities	1	100,500,000	84,864,300
Miscellaneous receipts	3	1,016,707	807,364
Payments from operating activities			
Compensation of employees	4	(187,901,596)	(73,021,374)
Purchase of goods and services	5	(621,716,757)	(448,897,595)
Adjustments during the year			
Prior Year Adjustments		-	-
Decrease/(Increase) in Accounts Receivable	11	(6,547,341)	(6,250,207)
Increase/(decrease) in accounts payable:	12	8,574,612	5,437,438
Payables paid as direct payments		4,305,759	
Net cash flow from operating activities		(701,768,616)	(437,060,074)
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of non-financial assets	6	(9,646,820)	(8,161,732)
Net cash flows from Investing Activities		(9,646,820)	(8,161,732)
CASHFLOW FROM BORROWING ACTIVITIES			
Loan from external development partners	2	700,240,079	426,562,682
Net cash flow from financing activities		700,240,079	426,562,682
NET INCREASE IN CASH AND CASH EQUIVALENTS		(11,175,357)	(18,659,124)
Cash and cash equivalent at BEGINNING of the year	7	12,881,534	31,540,659
Cash and cash equivalent at END of the year	7	1,706,177	12,881,534

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 30/09 2024 and signed by:


 Chief Conservator of Forests
 A. L. Lemarkoko EBS, 'ndc' (K)


 Project Manager
 Jerome Mwanzia 'ndc' (K)


 Project Accountant:
 CPA Eunice Ondari
 ICPAK No: 29336

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


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	100,500,000	(500,000)	101%
Loan from external development partners	1,190,000,000	(189,000,000)	1,001,000,000	977,690,633	23,309,367	98%
Miscellaneous receipts	-	-	-	1,016,707	(1,016,707)	0%
Total Receipts	1,290,000,000	(189,000,000)	1,101,000,000	1,079,207,340	21,792,660	98%
Payments						
Compensation of employees	190,000,000		190,000,000	187,901,596	2,098,404	99%
Purchase of goods and services	840,000,000	(189,000,000)	651,000,000	645,629,557	5,370,443	99%
Acquisition of non-financial assets	260,000,000		260,000,000	258,878,815	1,121,185	100%
Total Payments	1,290,000,000	(189,000,000)	1,101,000,000	1,092,409,968	8,590,032	99%
Surplus/(Deficit)	-	-	-	(13,202,628)	13,202,628	

Budget Notes.

1. There were no budget variances below 90% or over by 10% during the current period.


 Chief Conservator of Forests
 A. L. Lemarkoko EBS, 'ndc' (K)


 Project Manager
 Jerome Mwanzia 'ndc' (K)


 Project Accountant:
 CPA Eunice Ondari
 ICPAK No: 29336

XI. 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, 2024.

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.

XII. 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)
	2023-2024	2022-2023	
Counterpart funding through Ministry of Environment, Climate Change and Forestry			
Counterpart funds Quarter 1	25,125,000	21,216,075	90,007,224
Counterpart funds Quarter 2	25,125,000	21,216,075	93,327,496
Counterpart funds Quarter 3	25,125,000	21,216,075	144,541,075
Counterpart funds Quarter 4	25,125,000	21,216,075	126,041,075
Total (See Annex 1)	100,500,000	84,864,300	453,916,870

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30 June 2024, we received funding from development partners in form of loans negotiated by the National Treasury as detailed in the table below:

Description		2023-2024			2022-2023	Cumulative to-date (from inception)	
Name of Donor	Date received	Amount in loan currency	Loans received in actual amounts	Loans received as direct payment*	Total amount in KShs		
			KShs	KShs	KShs	KShs	
Loans Received from Multilateral Donors (International Organisations)							
African Development Bank/Fund Loan			700,240,079	-	700,240,079	426,562,682	2,019,734,689
ADB Direct Payments				277,450,554	277,450,554	145,908,802	858,945,619
Total			700,240,079	277,450,554	977,690,633	572,471,484	2,878,680,308

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. MISCELLANEOUS RECEIPTS

Description	2023-2024			2022-2023	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	1,016,707	-	1,016,707	807,364	2,791,439
Total	1,016,707	-	1,016,707	807,364	2,791,439

4. COMPENSATION OF EMPLOYEES

Description	2023-2024			2022-2023	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Casual Labour	187,901,596	-	187,901,596	73,021,374	432,986,308
Total	187,901,596	-	187,901,596	73,021,374	432,986,308

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. PURCHASE OF GOODS AND SERVICES

Description	2023-2024		2022-2023	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	
	KShs	KShs	KShs	KShs
Staff Welfare Costs	203,800	-	203,800	770,300
Electricity	883,340	-	883,340	5,229,711
Water and Sewerage Charges	590,000	-	590,000	1,844,935
Telephone, Telex, Facsimile and Computer	1,033,673	-	1,033,673	5,727,466
Courier and Postal Services	28,350	-	28,350	113,420
Supplies of Accessories for Computers & Printers	2,414,443	-	2,414,443	12,151,055
Travel Costs (airlines, bus, railway, mileage)	369,190	-	369,190	6,879,146
Daily Subsistence Allowance	131,321,127	-	131,321,127	338,223,715
Travel Cost-International(Overseas)	404,420	-	404,420	404,420
Publishing and Printing Services	616,000	-	616,000	815,250
Media, Newspapers, Magazines and Periodicals	84,780	-	84,780	152,940
Advertising, Awareness and Publicity Campaigns	1,879,433	-	1,879,433	6,341,022
Training	39,164,194	-	39,164,194	110,756,128
Hire of Training Facilities and Equipment	140,000	-	140,000	3,674,763
Motor Vehicle Insurance	4,083,574	-	4,083,574	32,967,047
Fungicides, Insecticides and Sprays	-	-	-	1,005,800
General Office Supplies (papers, pencils, etc)	6,795,573	-	6,795,573	24,059,741
Cleaning Materials, Supplies and Services	76,150	-	76,150	2,535,486
Catering services	1,832,416	-	1,832,416	5,218,855
Refined Fuels and Lubricants	50,572,238	-	50,572,238	147,656,519

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. PURCHASE OF GOODS AND SERVICES(Continued)

Description	2023-2024			2022-2023	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Bank Service Commission and Charges	271,887	-	271,887	371,460	1,325,815
Contracted Professional Services	4,053,807	6,172,800	10,226,607	-	14,961,921
Contracted Technical Services	30,864,643	-	30,864,643	45,064,003	212,403,938
Special Operations	465,327	-	465,327	1,357,900	4,688,047
Food and Rations	2,244,500	-	2,244,500	2,159,798	15,402,993
Events and Celebrations	2,937,346	-	2,937,346	2,783,220	7,399,766
Tree seeds and seedlings.	65,415,676	-	65,415,676	43,955,231	362,676,555
Supplies for production	140,277,406	17,740,000	158,017,406	75,082,561	375,532,329
Seminars and Conferences	3,613,816	-	3,613,816	2,329,573	10,860,098
Tree Planting	555,000	-	555,000	2,399,858	4,550,668
Levies: Land, CFA Registration, NEMA etc	47,450	-	47,450	-	47,450
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	21,971,035	-	21,971,035	23,851,932	74,707,618
Maintenance of Plant, Machinery and Equipment	-	-	-	434,000	785,000
Maintenance of Office Furniture and Equipment	-	-	-	-	143,400

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. PURCHASE OF GOODS AND SERVICES(Continued)

Description	2023-2024			2022-2023	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Maintenance of Buildings - Residential	140,600	-	140,600	28,000	777,173
Maintenance of Buildings and Stations-Non-Residential	41,681,504	-	41,681,504	6,475,807	56,306,012
Maintenance of Civil Works	41,994,061	-	41,994,061	37,492,861	125,751,324
Maintenance of Roads	14,126,220	-	14,126,220	27,075,976	124,930,110
Maintenance of Computers & Networks	-	-	-	-	18,500
Staff Uniforms and Clothing	172,414	-	172,414	-	1,052,514
Grants, subsidies and transfers.	5,557,066	-	5,557,066	9,591,003	15,148,069
Capital Transfers to Non-Profit Organization	2,078,181	-	2,078,181		2,078,181
VAT Expense	756,117	-	756,117	807,939	1,564,056
Covid-19	-	-	-	-	1,085,500
	621,716,757	23,912,800	645,629,557	455,732,142	2,121,281,088

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. ACQUISITION OF NON-FINANCIAL ASSETS

Description	2023-2024			2022-2023	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Motor Vehicles	1,122,605	58,515,468	59,638,073	54,581,240	350,042,268
Motor Cycles	-	-	-	-	18,260,055
Office Furniture and Fittings	4,096,163	-	4,096,163	271,390	10,078,562
Computers, Printers and other IT Equipment	896,552	-	896,552	-	8,230,158
ICT, Exchanges and Other Communications	-	-	-	198,900	2,794,480
Photocopiers and other Office Equipment	-	-	-	-	1,883,200
Fire fighting Vehicles and Equipment	44,000	-	44,000	-	44,000
Machinery and Equipment	200,000	-	200,000	-	66,650,000
Non-Residential Buildings	-	-	-	-	2,997,437
Perimeter Fences	3,287,500	-	3,287,500	-	3,287,500
Work In Progress-Non Residential	-	168,498,447	168,498,447	64,959,991	257,041,238
Work In Progress-Residential	-	22,218,080	22,218,080	27,224,466	60,426,187
Household & Institutional Appliances	-	-	-	-	480,000
	9,646,820	249,231,995	258,878,815	147,235,987	782,215,085

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7. CASH AND CASH EQUIVALENTS

Description	2023-2024	2022-2023
	KShs	KShs
Bank accounts	1,706,177	12,881,534
Total	1,706,177	12,881,534

7. A Bank Accounts
Project Bank Accounts

Description	2023-2024	2022-2023
	KShs	KShs
Local Currency Accounts		
Co-operative Bank of Kenya – GOK Account [A/c No. 01141532868705]	1,052,725	7,974,437
Co-operative Bank of Kenya – Donor Account [A/c No. 011417563225800]	653,452	4,907,097
Total bank account balances	1,706,177	12,881,534

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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 2024 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	2023-2024	2022-2023
	EUR	EUR
Green Zones Development Support Project [A/c No. 1000416017		
Opening balance	264,604	229,488
Total amount deposited in the account	4,621,425	3,343,596
Total amount withdrawn (as per Statement of Receipts & Payments)	(4,643,965)	(3,308,479)
Closing balance (as per SDA bank account reconciliation attached)	242,065	264,604

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. ACCOUNTS RECEIVABLES

Description	2023-2024	2022-2023
	KShs	KShs
Temporary Imprest	2,586,566	3,269,853
Zonal Control Account - Development	7,797,525	2,113,677
Supplier Prepayments	4,327,155	2,780,375
Total	14,711,246	8,163,905

9. DEPOSITS AND RETENTION

Description	2023-2024	2022-2023
	KShs	KShs
Retention	3,574,125	8,129,513
Other Payables	13,130,000	
Total	16,704,125	8,129,513

- The difference in the retention includes the surplus amount indicated in the statement of receipts and payments of Kshs.4,305,759 which is the retention amounts in expensed in prior year but paid in the current year as direct payments.
- Other payables relate to refundable funds advanced to the Project by the Kenya Forest Service to cater for urgent payments.

10. FUND BALANCE BROUGHT FORWARD

Description	2023-2024	2022-2023
	KShs	KShs
Bank accounts	1,706,177	12,881,534
Outstanding imprests and advances	14,711,246	8,163,905
Less: deposits and retention	(3,574,125)	(8,129,513)
Total	12,843,298	12,915,926

11. CHANGES IN RECEIVABLE

Description	2023-2024	2022-2023
	KShs	KShs
Opening Receivables as at 1 July 2023	1,913,698	1,913,698
Closing Receivables as at 30 June 2024	14,711,246	8,163,905
Change in Receivables	12,797,548	6,250,207

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. CHANGES IN ACCOUNTS PAYABLES

Description	2023-2024	2022-2023
	KShs	KShs
Deposits and Retention as at 1 July 2023	2,692,076	2,692,076
Deposits and Retention as at 30 June 2024	16,704,125	8,129,513
Change in payables	14,012,049	5,437,437

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XIII. OTHER IMPORTANT DISCLOSURES

1. EXTERNAL ASSISTANCE

Description	2023-2024	2022-2023
	KShs	KShs
External assistance received as loans	700,240,079	426,562,682
External assistance received in kind- as payment by third parties	277,450,554	145,908,802
Total	977,690,633	572,471,484
<i>a). External assistance relating loans and grants</i>		
Description	2023-2024	2022-2023
	KShs	KShs
External assistance received as loans	977,690,633	572,471,484
Total	977,690,633	572,471,484
<i>b) Undrawn external assistance</i>		
Description	2023-2024	2022-2023
	KShs	KShs
Undrawn external assistance - loans	2,121,061,691	3,098,752,324
Total	2,121,061,691	3,098,752,324
<i>c) Classes of providers of external assistance</i>		
Description	2023-2024	2022-2023
	KShs	KShs
Multilateral donors	977,690,633	572,471,484
Total	977,690,633	572,471,484
<i>d) Purpose and use of external assistance</i>		
Description	2023-2024	2022-2023
	KShs	KShs
Compensation to employees		
Use of goods and services		
Acquisition of assets		
Total	-	-

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

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

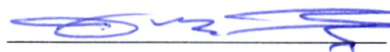
There were no issues raised by the Auditor in the prior year.



Chief Conservator of Forests
A. L. Lemarkoko EBS, 'ndc' (K)

30/09/2024

Date



Project Manager
Jerome Mwanzia 'ndc' (K)

30/09/2024

Date

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XV. 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			
STATE DEPARTMENT FOR FORESTRY - GOK	26-Jul-23	25,000,000	2023/2024
STATE DEPARTMENT FOR FORESTRY - GOK	21-Aug-23	12,000,000	2023/2024
STATE DEPARTMENT FOR FORESTRY - GOK	17-Jan-24	12,500,000	2023/2024
STATE DEPARTMENT FOR FORESTRY - GOK	13-Feb-24	16,500,000	2023/2024
STATE DEPARTMENT FOR FORESTRY - GOK	28-Mar-24	9,500,000	2023/2024
STATE DEPARTMENT FOR FORESTRY - GOK	05-Apr-24	25,000,000	2023/2024
	Total	100,500,000	
b. Donor Funding			
STATE DEPARTMENT FOR FORESTRY - ADB	14-Aug-23	41,368,354	2023/2024
STATE DEPARTMENT FOR FORESTRY - ADB	31-Oct-23	306,100,836	2023/2024
STATE DEPARTMENT FOR FORESTRY - ADB	09-Nov-23	51,786,694	2023/2024
STATE DEPARTMENT FOR FORESTRY - ADB	04-Apr-24	300,984,195	2023/2024
	Total	700,240,079	
c. Direct Payments			
NOBLE CONSTRUCTION LIMITED		13,068,477	2023/2024
BELFAST ENGINEERING WORKS LTD		19,427,364	2023/2024
KIYAI INVESTMENT LIMITED		7,375,731	2023/2024
NOBLE CONSTRUCTION LIMITED		8,446,732	2023/2024
OSHKOSH CONSULTING LIMITED		3,743,400	2023/2024
TYRELL AGENCIES LTD		2,429,400	2023/2024
Newtrex Co. Limited		2,683,779	2023/2024
ROYAL BUSINESS EMPIRE LTD		7,676,170	2023/2024
KILOWATT ENGINEERING SOLUTION LIMITED		9,075,173	2023/2024
NOBLE CONSTRUCTION LIMITED		8,403,970	2023/2024
HELIOS CONSTRUCTION LTD		13,573,204	2023/2024
Newtrex Co. Limited		803,185	2023/2024
FLONIC GENERAL SUPPLIES & CONTRACTORS LTD		790,557	2023/2024
CFAO MOTORS KENYA LIMITED		24,759,706	2023/2024
ALMADAAR TRADING COMPANY LIMITED		25,759,258	2023/2024
MANNATEX CONSTRUCTION LIMITED		764,568	2023/2024
TRISOL ENGINEERING LIMITED		922,923	2023/2024
NOBLE CONSTRUCTION LIMITED		7,822,282	2023/2024
RABBIX SUPPLIES		9,000,000	2023/2024
RABBIX SUPPLIES		8,740,000	2023/2024
GEOSCINTEX		5,252,619	2023/2024
EDDYS ENGINEERING LIMITED		7,107,888	2023/2024
CFAO MOTORS KENYA LIMITED		33,755,762	2023/2024
GEOSCINTEX		13,874,738	2023/2024

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MOUNT ROYAL LIMITED		20,889,221	2023/2024
MOUNT ROYAL LIMITED		21,304,447	2023/2024
	Total	277,450,554	
	TOTAL(a+b+c)	1,078,190,633	

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
	2023/2024	2023/2024	2023/2024	2023/2024	2023/2024	2023/2024
	Kes.	Kes.	Kes.	Kes.	Kes.	Kes.
	(a)	(b)	(c)	(d)	(d)	(e)= (a)+ (b)+(c)-(d)+(-d)
Buildings and structures	2,997,437		-		105,644,509	108,641,946
Transport equipment	308,664,250		59,638,073			368,302,323
Office equipment, furniture and fittings	6,462,399		4,096,163			10,558,562
ICT Equipment,	10,856,614		896,552	-		11,753,166
Other Machinery and Equipment	66,450,000		244,000			66,694,000
Perimeter Fences	-		3,287,500			3,287,500
Work in Progress	126,750,898		190,716,527		(105,644,509)	211,822,916
Total	374,945,612	-	258,878,815	-	-	781,060,413

Notes

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