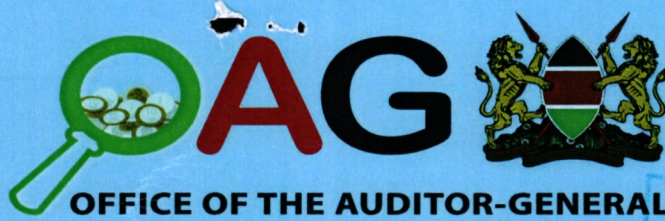
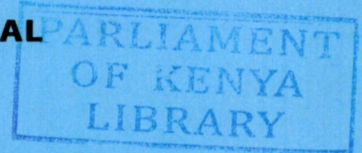


REPUBLIC OF KENYA



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**REPORT**

**OF**

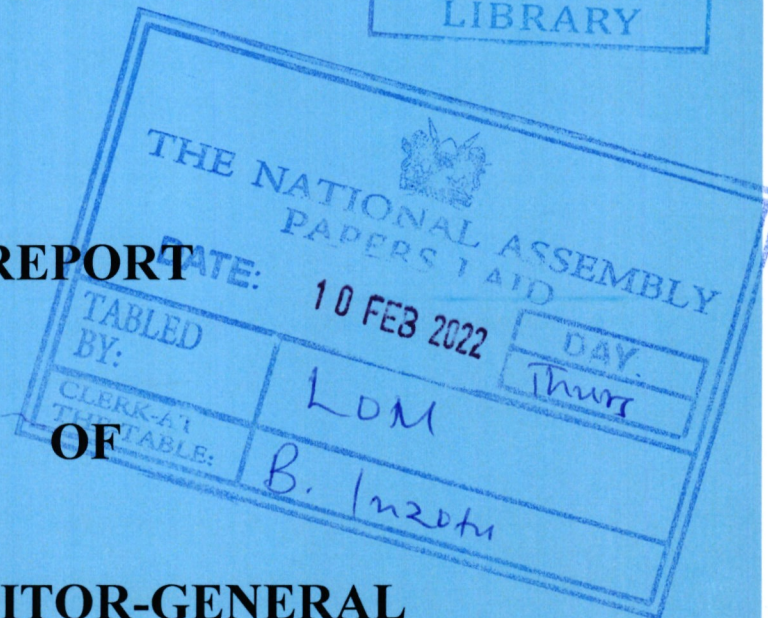
**THE AUDITOR-GENERAL**

**ON**

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

**FOR THE YEAR ENDED  
30 JUNE, 2021**

**MINISTRY OF ENVIRONMENT AND FORESTRY**







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

**IMPLEMENTING ENTITY: MINISTRY OF ENVIRONMENT & FORESTRY**

**PROJECT GRANT/CREDIT NUMBER: V1570 - KE**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2021**

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

**Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-KE  
Reports and Financial Statements  
For the financial year ended June 30, 2021**

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**1. PROJECT INFORMATION AND OVERALL PERFORMANCE**

**1.1 Name and registered office**

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

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

**Address:** The project headquarter offices are in Nyanza Regional Headquarters, 11<sup>th</sup> Floor; Kisumu – Kenya.  
The address of its registered office is: 9220-40100 Kisumu

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

Telephone: (254) 572020563

E-mail: lvempke@gmail.com

Website: [www.lvempkenya.org](http://www.lvempkenya.org)

**1.2 Project Information**

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

**1.3 Project Overview**

Line Ministry/State Department of the project	The project is under the supervision of the Environment and Forestry Ministry.
Project Number	V1570 – KE
Strategic goals of the project	The strategic goals of the project are as follows: a) Strengthening co-operative management of trans-boundary natural resources and Climate Change. b) Promote Climate resilience through Sustainable land and water resource management in selected soil erosion hotspots c) Compliance Enforcement, Monitoring and prevention of pollution
Achievement of	The project management aims to achieve the goals through the following means:

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strategic goals	<p>a) Improve regional information services on water quality and ecosystem health.</p> <p>b) Promotion of Climate Change Mitigation and adaptation measures and resilience strengthening in LVB</p> <p>c) Regional investment planning for improved water quality and eco-system services</p> <p>d) Strengthen LVBC's capacity to deliver on its mandate to coordinate management of water quality in Lake Victoria Basin</p> <p>e) Climate-resilient land and water resource management</p> <p>f) Control of water hyacinth and other invasive weed species</p> <p>g) Monitoring natural resources and Eco-system health</p> <p>h) Water quality and quantity monitoring and assessment</p> <p>i) Strengthening environmental regulatory systems</p> <p>j) Construction, Rehabilitation and improvement of point source pollution using innovative and cost effective technologies infrastructure and wastewater treatment facilities</p> <p>k) Up scaling resource efficient and cleaner production technology in industries</p>
Other important background information of the project	<p>The East Africa Community (EAC) Council of Ministers identified and designated the Lake Victoria Basin as a common economic growth zone in 2003/2004 to be collaboratively managed by the Partner States. EAC Partner States, therefore, established the Lake Victoria Basin Development Programme which spearheaded the Lake Victoria Environmental Management Project (LVEMP) as a long-term regional programme of the EAC regionally coordinated by the Lake Victoria Basin Commission (LVBC). The institution is a specialized institution of the EAC established by the Protocol for Sustainable Development of Lake Victoria Basin signed on 29<sup>th</sup> November 2003 and implemented by the five EAC Partner States of Burundi, Kenya, Rwanda, Tanzania and Uganda.</p> <p>The 1<sup>st</sup> Phase of LVEMP involved the Republic of Kenya, United Republic of Tanzania and Republic of Uganda and was implemented from 1997 to 2005. The 2<sup>nd</sup> phase (LVEMP II) (2009 to 2017) involved the Partner States of Kenya, Tanzania and Uganda under Adjustable Lending Program 1 (APL1) which ended on 31<sup>st</sup> December 2017. Upon closure of LVEMP II, the Government of Kenya and The World Bank signed a Financing Agreement for LVEMP III project Preparatory Advance (PPA) but this was cancelled by The World Bank before it was fully implemented. Based on the benefits generated and lessons learnt under the 1<sup>st</sup> and 2<sup>nd</sup> phases of LVEMP, Kenya has committed to the implementation of a follow-on project namely Lake Victoria Climate Resilience and Environmental Management Project III (LVCREMP) and subsequently a Cabinet Memorandum has been approved by the Cabinet prioritizing the new project</p>
Current situation that the project was formed to intervene	<p>The Lake Victoria Basin (LVB) is an important and strategic ecological and economic zone for the country. The Basin carries about 30% (about 14.5 million) of the country's total population who depend on the lake and other natural resources within the basin for their livelihoods. Agriculture remains the</p>

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	backbone of the economy supporting over 80% of the population. The basin is rich in natural and social capital with the main primary productive sectors being; water, agriculture (crops and livestock) fisheries, forestry, mining, energy (hydroelectric production at Sondu Miriu at 60 MW and Saogoro at 20 MW), tourism, trade and industry. It is worth noting that Sondu Miriu operates at 50% capacity as a result of land degradation in the Mau catchment. The LVB tree cover for lakeshore counties varies between 0.4-2.5percent which is far below the constitutional requirement of at least 10% tree cover. This makes the basin a net importer of forest/tree product and also vulnerable to agents of degradation. Lake Victoria Basin and its major catchments are among the most threatened habitat types in the world. Over the coming decades, biodiversity loss, climate change, environmental degradation and water shortages are expected to be among the world's greatest
Project duration	The project started on 1st January 2018 and was expected to run until 31 December 2019 but The World Bank terminated the Financing Agreement on 2 <sup>nd</sup> October 2019 before the project preparations were completed

#### 1.4 Bankers

The following are the bankers for the current year:

- (i) Co-operative Bank of Kenya
- (ii) Standard Chartered Bank

#### 1.5 Auditors

The project is audited by the Auditor General (OAG)

#### 1.6 Roles and Responsibilities

List of people working on the project.

Names	Title designation	Key qualification	Responsibilities
<b>John Saranga</b>	<b>Ag. National Project Coordinator</b>	Bsc –Water Engineering.	In charge of the project
<b>Enock Maticha</b>	<b>Project Accountant</b>	B.COM (Finance), CPA (K)	Financial Management
<b>Humphrey Okusimba</b> (Left the project in February 2020)	Monitoring and Evaluation Officer	Masters – Economics	Monitoring and Evaluation
<b>Rodrick Kundu</b> (Left the project in February 2020)	Fisheries Specialist	Masters- Fisheries Management	Technical experts: Fisheries activities
<b>Engineer Isaac</b>	Agriculture Specialist	BSc-Agricultural	Technical experts: Agriculture

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Names	Title designation	Key qualification	Responsibilities
<b>Ngugi</b> (Left the project in August 2021)		Engineering	and Live 5stock activities
<b>Maurice Wanyiri</b> (Left the project in May 2020)	Natural Resource Management specialist	Masters - Environmental Planning Management	Technical experts: Forestry
<b>Solomon Kihui</b> (Left the project in January 2020)	Environment Specialist	Masters – Environmental Science	Technical experts: Environmental management
<b>Florence Nyangau'</b>	Procurement Officer	Diploma - Supplies Management.	In charge of Supplies Chain Management
<b>Evans Kweyu</b>	Accounts Assistant	Diploma-Management	Accounts
<b>Elisha Nduga</b>	Procurement Officer	Diploma – Supply Chain Management	Supply chain management
<b>Evelyn Mwikali</b>	Administrative Assistant	Diploma – Business administration	Supports NPCT
<b>Stephen Oketch</b>	Senior Lab Technologist	Higher National Diploma – Applied biology	Water quality and pollution monitoring
<b>Reuben Kuto</b>	Senior Lab Technologist	Higher National Diploma – Analytical Chemistry.	Water quality and pollution monitoring
<b>John Okere</b> (Left the project in February 2020)	Chief Hydrologist Assistant	Diploma – Surface water	Metrological and water quantity assessment.

### 1.7 Funding summary

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

Below is the funding summary:

*Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance,  
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**A. Source of Funds**

Source of funds	Donor Commitment-		Amount received to date – (30. 06. 2021)		Undrawn balance to date	
	<i>Donor currency USD</i>	<i>KShs</i>	<i>Donor currency USD</i>	<i>KShs</i>	<i>Donor currency USD</i>	<i>KShs</i>
	<i>(A)</i>	<i>(A')</i>	<i>(B)</i>	<i>(B')</i>	<i>(A)-(B)</i>	<i>(A)-(B)</i>
<b>(i) Grant</b>						
IDA–World Bank	1,900,000	190,000,000	395,232	39,891,145	1,504,768	150,108,855
<b>(ii) Counterpart funds</b>						
Government of Kenya 10% of Donor	528,000	52,800,000	454,420	45,442,000	76,280	7,628,000
<b>Total</b>	<b>2,428,000</b>	<b>242,800,000</b>	<b>849,652</b>	<b>85,333,145</b>	<b>1,581,048</b>	<b>157,736,855</b>

**NOTE:** The project ended in October, 2019 and during the financial year beginning 1<sup>st</sup> July, 2020 to 30<sup>th</sup> June, 2021, no funding was received from the donor (IDA)

**Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance,  
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**Application of Funds**

Application of funds	Amount received to date – (30 <sup>th</sup> June 2021)		Cumulative Amount paid to date – (30 <sup>th</sup> June 2021)	Unutilised balance to date (30. 06. 2021)	
	<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>
<b>(i) Grant</b>					
IDA – World Bank	395,232	39,891,145	39,891,145	-	-
<b>(i) Counterpart funds</b>					
Government of Kenya	-	45,442,000	45,442,000	-	-
<b>Total</b>	<b>\$395,232</b>	<b>85,333,145</b>	<b>85,333,145</b>		

**1.8 Summary of Overall Project Performance:**

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

**1.9 Summary of Project Compliance:**

No cases of non-compliance

## **2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES**

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

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

### **Introduction**

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

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

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

### **Progress on attainment of Strategic development objectives**

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

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

### **3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

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

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

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

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

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

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

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



*Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-KE  
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For the financial year ended June 30, 2021*

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**4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES**

The *Principal Secretary* for the Ministry of Environment and Forestry and the *National Project Coordinator* for *Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-KE* are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial period ended on *June 30, 2021*. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The *Principal Secretary* for the Ministry of Environment and Forestry and the *National Project Coordinator* for *Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-K*

*E*

accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The *Principal Secretary* for the Ministry of Environment and Forestry and the *National Project Coordinator* for *Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-K*

are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial period ended *June 30, 2021*, and of the Project's financial position as at that date. The *Principal Secretary* for the Ministry of Environment and Forestry and the *National Project Coordinator* for *Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-KE* further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the Project financial statements**

The Project financial statements were approved by the *Principal Secretary* for the Ministry of Environment and Forestry and the *National Project Coordinator* for *Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-KE* on 18<sup>th</sup> November 2021 and signed by them.

Principal Secretary

Name

*Dr. Chris Kiptoo*

Project Coordinator

Name *John Sereka*

Project Accountant:

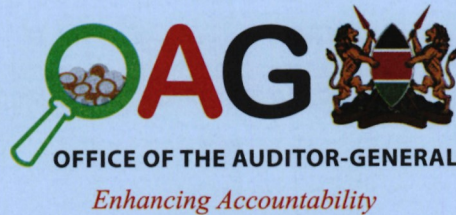
Name: *ENOCH MATICHA*

ICPAK Member Number:

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## **REPORT OF THE AUDITOR-GENERAL ON LAKE VICTORIA ENVIRONMENTAL MANAGEMENT PROJECT PHASE III (LVEMP) PROJECT PREPARATORY ADVANCE NO. V1570-KE FOR THE YEAR ENDED 30 JUNE, 2021 - MINISTRY OF ENVIRONMENT AND FORESTRY**

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### **PREAMBLE**

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

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

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Lake Victoria Environmental Management Project Phase III (LVEMP III) set out on pages 1 to 47, which comprise the

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*Report of the Auditor-General on Lake Victoria Environmental Management Project Phase III (LVEMP) Project Preparatory Advance No. V1570-KE for the year ended 30 June, 2021 - Ministry of Environment and Forestry*

statement of financial assets as at 30 June, 2021, 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Lake Victoria Environmental Management Project Phase III as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement No. V1570 dated 27 June, 2018 between International Development Agency and the Republic of Kenya.

### **Basis for Qualified Opinion**

#### **1. Sustainability of Phase III of the Project**

As reported in the previous year, under the statement of receipts and payments, the project received Kshs.10,000,000 (2020 - Kshs.13,000,000) being the Government of Kenya counterpart funding. The International Development Agency (IDA) vide its letter dated 2 October, 2019 addressed to The National Treasury and the Ministry of Environment and Forestry had communicated its decision to stop the Project activities and funding as it reviews its regional integration strategy in Sub-Saharan Africa.

Consequently, the ability of the Project to continue to sustain its services is in doubt.

#### **2. Inaccuracies in the Financial Statement**

The statement of receipts and payments reflects adjusted cumulative figures in respect of payments whose adjustments as detailed below have not been explained.

<b>Item</b>	<b>Initial Figure (Kshs.)</b>	<b>Adjusted Figure (Kshs.)</b>	<b>Variance (Kshs.)</b>
Compensation of Employees	24,305,314	17,890,790	6,414,524
Use of Goods and Services	58,874,964	58,712,798	162,166
<b>Total</b>	<b>83,180,278</b>	<b>76,603,588</b>	<b>6,576,690</b>

Although the Management has explained that the adjustments were due to stale cheques not paid in cashbook, no evidence has been provided in support of the adjustments. In addition, the adjusted accumulated deficit of Kshs.178,433 is not in agreement with the total financial assets balance of Kshs.278,464. The difference between the two sets of figures was not reconciled or explained.

Further, the statement of comparative budget and actual amounts for the year ended 30 June, 2021 reflects an approved receipts budget of Kshs.11,500,000 comprising of original budget of Kshs.10,000,000 being transfer from government entities and budget adjustment figure of Kshs.1,500,000 indicated as miscellaneous receipts. However, the statement of receipts and payments and Note 1 to the financial statements shows that

the full budgetary allocation of Kshs.11,500,000 was transfers from government entities and there were no miscellaneous receipts.

Under the circumstances, the accuracy of the financial statements for the year ended 30 June, 2021 could not be ascertained.

### **3. Pending Accounts Payables**

The statement of receipts and payments and Note 8 to the financial statements reflect an amount of Kshs.8,908,000 in respect of acquisition of non-financial assets. The payment was said to be in respect of 10% final balance of hyacinth removing equipment which was purchased in 203/2014 financial year. However, the amount was not included in the pending bills as at the beginning of the year and was not in the budget allocation for 2020/2021. Further, the equipment was said to have been received in the financial year 2013/2014 yet the inspection and acceptance committee was said to have passed the equipment in December, 2019 while the supplier invoiced for the same in January, 2021.

Under the circumstances, the validity of the payment in respect of acquisition of asset amounting to Kshs.8,908,000 for the year ended 30 June, 2021 could not be confirmed.

### **4. Pending Accounts Payables**

Notes 12.1 and 12.2 at page 30 of the financial statements reflects pending accounts payables totalling Kshs.17,019,569 as at 30 June, 2021 comprising of Kshs.2,487,569 and Kshs.14,532,000 due to suppliers of goods and services and staff respectively, all relating to 2019/2020 and earlier. However, Management has not provided any reason for non-payment of the bills or explained how the same are to be cleared given that the project is no longer funded by the donor.

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

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

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

## **Other Matter**

### **Budget Control and Performance**

The statement of comparative budget and actual amounts indicates that the project had an approved budget of Kshs.11,500,000 for the year ended 30 June, 2021 and recorded expenditure of Kshs.11,825,158 resulting to over-expenditure of Kshs.325,158 or approximately 3% of the approved budget. There was no evidence provided in support of approvals for excess budget utilisation and as in the previous year, the Project did not receive any donor funding after IDA pulled out.

### **Other Information**

The Management are responsible for the other information, which comprises the statement of project information and overall performance, statement of performance against projects predetermined objectives, statement of corporate social responsibility and the statement of management responsibilities. The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or 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 matters described in the Basis for Qualified Opinion 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**

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

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

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

## **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

As required by International Development Agency (IDA) and the preparatory advance Credit Number V1570, I report based on my audit, that:

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

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

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

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

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

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

Those charged with governance are responsible for overseeing the Project's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and

systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Project policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a

basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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

**Nairobi**

**22 December, 2021**


6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2021.


	Note	2020/2021			2019/2020			Adjusted cumulative to date
		Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payment controlled by the entity	Payments made by third parties	Total	
RECEIPTS		KShs	KShs	KShs	KShs	KShs	KShs	KShs
Transfer from Government entities	1	11,500,000	-	11,500,000	13,000,000	-	13,000,000	45,442,000
Proceeds from domestic and foreign grants	2	-	-	-	-	-	-	-
Loan from external development partners	3	-	-	-	-	-	-	-
Miscellaneous receipts	4	-	-	-	-	-	-	39,891,145
<b>TOTAL RECEIPTS</b>		<b>11,500,000</b>	<b>-</b>	<b>11,500,000</b>	<b>13,000,000</b>	<b>-</b>	<b>13,000,000</b>	<b>85,333,145</b>
PAYMENTS								
Compensation of employees	5	-	-	-	6,522,795	-	6,522,795	17,890,790
Purchase of goods and services	6	2,917,158	-	2,917,158	22,828,508.50	-	22,828,508.50	58,712,798
Social security benefits	7	-	-	-	-	-	-	-
Acquisition of non-financial assets	8	8,908,000	-	8,908,000	-	-	-	-
Transfers to other government entities	9	-	-	-	-	-	-	8,908,000


**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

	Note	2020/2021			2019/2020			Adjusted cumulative to date
		Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payment controlled by the entity	Payments made by third parties	Total	
Other grants and transfers and payments	10							
<b>TOTAL PAYMENTS SURPLUS/ (DEFICIT)</b>		11,825,158 (325,158)		11,825,158 (325,158)	29,351,303.50 (16,351,303.50)	-	29,351,303.50 (16,351,303.50)	85,511,580 (178,443)

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

  
 Principal Secretary  
 Name: **Dr. Anuraj Kulkarni**

  
 Project Coordinator  
 Name: **J. Saranga**


  
 Project Accountant  
 Name: **ENOCK MATICHA**  
 ICPAK Member Number: **23310**

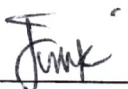
**Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance,  
Project No.V1570-KE  
Reports and Financial Statements  
For the financial year ended June 30, 2021**


**7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2021**

	Note	2020-2021	2019-2020
		KShs	KShs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	11.A	277,223	602,381
Cash Balances	11. B	1,241	1,241
Cash Equivalents (short-term deposits)	11.C	-	-
<b>Total Cash and Cash Equivalents</b>		<b>278,464</b>	<b>603,622</b>
Accounts Receivables	12	-	-
<b>TOTAL FINANCIAL ASSETS</b>		<b>278,464</b>	<b>603,622</b>
<b>FINANCIAL LIABILITIES</b>			
Payables- Deposits and Retentions	13	-	-
<b>NET ASSETS</b>		<b>-</b>	<b>-</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd	14	603,622	10,378,235
Prior year adjustments	15	-	6,576,690
Surplus/(Deficit) for the year		(325,158)	(16,351,304)
<b>NET FINANCIAL POSITION</b>		<b>278,464</b>	<b>603,622</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 10<sup>th</sup> November 2021 and signed by:

  
Principal Secretary  
Date 10/11/21

  
Project Coordinator  
Date 10/11/2021

  
Project Accountant  
Date 10/11/21  
ICPAK Member No.  
23310

*Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance,  
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**8. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2021**

		2020-2021	2019-2020
	Note	KShs	KShs
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts from operating activities</b>			
Transfer from Government entities	1	11,500,000	13,000,000
Proceeds from domestic and foreign grants	2		
Miscellaneous receipts	4	-	-
<b>Payments from operating activities</b>			
Compensation of employees	5	-	6,522,795.00
Purchase of goods and services	6	2,917,158	22,828,508.50
Social security benefits	7	-	-
Transfers to other government entities	9	-	-
Other grants and transfers	10	-	-
<b>Adjustments during the year</b>			
Prior Year Adjustments	15	-	6,576,690.00
Decrease/(Increase) in Accounts Receivable	16	-	-
Increase/(Decrease) in Accounts Payable:	17	-	-
<b>Net cash flow from operating activities</b>		<b>8,582,842</b>	<b>(9,774,613.50)</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Assets	8	8,908,000	-
<b>Net cash flows from Investing Activities</b>		<b>-</b>	<b>-</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Foreign Borrowings	3	-	-
<b>Net cash flow from financing activities</b>		<b>-</b>	<b>-</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		<b>(325,158)</b>	<b>(9,774,613.50)</b>
Cash and cash equivalent at BEGINNING of the year	11	603,622	10,378,235
Cash and cash equivalent at END of the year	11	278,464	603,622

**Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance,  
Project No.V1570-KE  
Reports and Financial Statements  
For the financial year ended June 30, 2021**

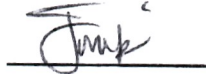
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The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 10<sup>th</sup> November 2021 and signed by:



Principal Secretary

Date 10/11/21



Project Coordinator

Date 10/11/2021



Project Accountant

Date 10/11/21

ICPAK Member No:

23310


Reports and Financial Statements  
For the financial year ended June 30, 2021


9 STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on	Budget	% of Utilization
	a	b	e=a+b	Comparable Basis	Utilization Difference	
Receipts				d	e=c-d	f=d/c %
Transfer from Government entities	10,000,000	-	10,000,000	10,000,000	-	100%
Proceeds from domestic and foreign grants	-	-	-	-	-	-
Proceeds from borrowings	-	-	-	-	-	-
Miscellaneous receipts	-	1,500,000	1,500,000	1,500,000	-	100%
<b>Total Receipts</b>	<b>10,000,000</b>	<b>1,500,000</b>	<b>11,500,000</b>	<b>11,500,000</b>	<b>-</b>	<b>100%</b>
Payments						
Compensation of employees	-	-	-	-	-	-
Purchase of goods and services	2,917,158	-	2,917,158	2,917,158	-	100%
Social security benefits	-	-	-	-	-	-
Acquisition of non-financial assets	7,082,842	1,500,000	8,582,842	8,908,000	(325,158)	104%
Transfers to other government entities	-	-	-	-	-	-
Other grants and transfers	-	-	-	-	-	-
<b>Total Payments</b>	<b>10,000,000</b>	<b>1,500,000</b>	<b>11,500,000</b>	<b>11,825,158</b>	<b>(325,158)</b>	<b>103%</b>

Note: The miscellaneous receipt of Kshs 1,500,000 was additional funding from the Ministry Headquarters (Nairobi) to pay balance for the water hyacinth machine. Significant budget utilisation /performance differences in the last column are explained in Annex 1

  
Principal Secretary  
Date 10/11/21

  
Project Coordinator  
Date 18/11/21

  
Project Accountant  
Date 10/11/21  
ICPAK Member No: 23310

## **10. SIGNIFICANT ACCOUNTING POLICIES**

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

### **10.1 Basis of Preparation**

### **10.2 Statement of compliance and basis of preparation**

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

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

### **10.3 Reporting entity**

The financial statements are for the *Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance* under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

#### **10.3.1 Reporting currency**

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

**10.4 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 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.

**Significant Accounting Policies (Continued)**

**iii) Interest on borrowing**

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

**iv) Repayment of borrowing (principal amount)**

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

**v) Acquisition of fixed assets**

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

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

**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. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

#### **Restriction on cash**

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

#### **h) Accounts receivable**

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

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.

During the year, there were no amount of loan disbursements received in form of direct payments from third parties.

#### **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, 2021.

##### **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.

*Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance,  
Project No.V1570-KE  
Reports and Financial Statements  
For the financial year ended June 30, 2021*

**11. NOTES TO THE FINANCIAL STATEMENTS**

**1. RECEIPTS FROM GOVERNMENT OF KENYA**

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

	2020/21	2019/20	
	KShs	KShs	Cumulative to-date (from inception)
<i>Counterpart funding through Ministry of Environment and Forestry</i>			
Counterpart funds Quarter 1	5,000,000		-
Counterpart funds Quarter 2		13,000,000	45,442,000
Counterpart funds Quarter 3	5,000,000	-	-
Counterpart funds Quarter 3	1,500,000	-	-
<b>Total (See Annex 2)</b>	=		=
<i>Other transfers from government entities</i>			
Ministry xx	-	-	-
Ministry xy	-	-	-
Project zxy	-	-	-
Appropriations-in-Aid	-	-	-
<b>Total</b>	<u>11,500,000</u>	13,000,000	45,442,000

*Note:*

*Ksh10,000,000 was the budgeted LVEMP III GOK Counterpart funding whereas the Ksh1,500,000 was additional funding from the Ministry Headquarters allocation to the project to enable it pay the water hyacinth machine.*

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**2. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS**

During the 12 months to 30 June 2021 we received grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment*	Grants received in kind	Total amount in KShs	
						2020/21	2019/20
			KShs	KShs	KShs	KShs	KShs
Grants Received from Bilateral Donors (Foreign Governments)							
Grants Received from Multilateral Donors (International Organizations)							
Insert name of international organization							
Grants Received from Local Individuals and organizations							
Insert name of individual or local organization							
<b>Total</b>							

\* The direct payment grants represent payments for goods and services done directly by the donor on behalf of the project. Projects should ensure that the adequate documents and support document is requested from the donors to support this grant.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**3. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS**

During the 12 months to 30 June 2021 we received funding from development partners in form of loans negotiated by the National Treasury donors as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment *	Total amount in KShs	
			KShs	KShs	2020/21	2019/20
<b>Loans Received from Bilateral Donors (Foreign Governments)</b>						
Insert name of foreign Government	-	-	-	-	-	-
<b>Loans Received from Multilateral Donors (International Organisations)</b>						
IDA	-	-	-	-	-	39,891,145
<b>Total</b>	-	-	-	-	-	<b>39,891,145</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4. MISCELLANEOUS RECEIPTS**

	2020/21			2019/2020	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
Property income	-		-	-	
Sales of goods and services	-		-	-	
Administrative fees and charges	-		-	-	
Fines, penalties and forfeitures	-		-	-	
Voluntary transfers other than grants					
Other receipts not classified elsewhere					
<b>Total</b>					

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**5. COMPENSATION OF EMPLOYEES**

	2020/2021			2019/2020	Audited Cumulative to- date	Adjusted Cumulative to date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments		
	KShs	KShs	KShs	KShs	KShs	
Basic salaries of permanent employees	-			6,522,795	11,922,795	8,715,533
Basic wages of temporary employees	-		-	-	396,919	396,919
Personal allowances paid as part of salary	-		-	-	11,985,600	8,778,338
Personal allowances paid as reimbursements	-		-	-		
Personal allowances provided in kind	-		-	-		
Pension and other social security contributions	-		-	-		
Compulsory national social security schemes	-		-	-		
Compulsory national health insurance schemes	-		-	-		
Social benefit schemes outside government	-		-	-		
Other personnel payments	-		-	-		
<b>Total</b>	=			<b>6,522,795</b>	<b>24,305,314</b>	<b>17,890,790</b>

**Note:**

1. There were no employees' salaries paid during the financial year.
2. Cumulative payments to date have been adjusted by total amount of Income tax cheques (Ksh 6,414,524) that were not paid. The cheques for the same were re-credited back to the cash book after they became stale. Statement of cash-flow and statement of assets for the financial year 2019/2020 were adjusted for the same through a prior year adjustment note 9.16 but cumulative payments were not adjusted then hence the current adjustment (**Appendix V**)

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**6. PURCHASE OF GOODS AND SERVICES**

	KShs	KShs	KShs	KShs	KShs	KShs
Utilities, supplies and services	-	-	-	-	2,320,761	2,320,761
Communication, supplies and services	-	-	-	1,529,980.00	4,852,367	4,852,367
Domestic travel and subsistence	1,762,770	-	1,762,770	10,468,017.00	34,112,029	34,112,029
Foreign travel and subsistence	-	-	-	-	1,383,967	1,383,967
Printing, advertising and information supplies	180,600	-	180,600	3,643,940.00	3,824,540	3,662,374
Rentals of produced assets	-	-	-	-	5,000	5,000
Training payments	-	-	-	-	508,660	508,660
Hospitality supplies and services	345,400	-	345,400	1,958,953.40	3,934,036	3,934,036
Insurance costs	-	-	-	-	-	-
Specialized materials and services	-	-	-	-	-	-
Other operating payments	-	-	-	806,051.20	1,631,555	1,631,555
Routine maintenance – vehicles and other transport equipment	325,512	-	325,512	1,036,916.90	2,386,573	2,386,573
Office operating costs	269,562	-	269,562	-	269,562	269,562
Other operating costs	33,314	-	33,314	-	33,314	33,314
Routine maintenance- other assets	-	-	-	3,384,650.00	3,612,600	3,612,600
Exchange rate losses/gains (net)	-	-	-	-	-	-
<b>Total</b>	<b>2,917,158</b>	<b>-</b>	<b>2,917,158</b>	<b>22,828,508.50</b>	<b>58,874,964</b>	<b>58,712,798</b>

**Note:** Cumulative payments to date have been adjusted by total amount of VAT/Postal Corporation of Kenya payments (Ksh. 162,166) that were not paid. The cheques for the same were re-credited back to the cash book after they became stale. Statement of cash-flow and statement of assets for the financial year 2019/2020 were adjusted for the same through a prior year adjustment note 9.16 but cumulative payments were not adjusted then hence the current adjustment. (Appendix)

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**7. SOCIAL SECURITY BENEFITS**

	2020/21			2019/20	Cumulative to- date KShs
	Payments made by the Entity in Cash KShs	Payments made by third parties KShs	Total Payments KShs	Total Payments KShs	
Government pension and retirement benefits	-	-	-	-	-
Social security benefits in cash and in kind	-	-	-	-	-
Employer social benefits in cash and in kind	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

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**8. ACQUISITION OF NON-FINANCIAL ASSETS**

	2020/21			2019/20	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Purchase of buildings	-	-	-	-	
Construction of buildings	-	-	-	-	
Refurbishment of buildings	-	-	-	-	
Construction of roads	-	-	-	-	
Construction of civil works	-	-	-	-	
Overhaul & refurbishment of construction and civil works	-	-	-	-	
Purchase of vehicles & other transport equipment	-	-	-	-	
Overhaul of vehicles & other transport equipment	-	-	-	-	
Purchase of household furniture & institutional equipment	-	-	-	-	
Purchase of office furniture & general equipment	-	-	-	-	
Purchase of specialised plant, equipment and machinery	8,908,000	-	8,908,000	-	8,908,000
Rehabilitation & renovation of plant, equipment & machinery	-	-	-	-	
Purchase of certified seeds, breeding stock and live animals	-	-	-	-	
Research, studies, project preparation, design & supervision	-	-	-	-	
Rehabilitation of civil works	-	-	-	-	
Acquisition of strategic stocks	-	-	-	-	
Acquisition of land	-	-	-	-	
Acquisition of other intangible assets	-	-	-	-	
<b>Total</b>	<b>8,908,000.00</b>	<b>=</b>	<b>8,908,000</b>		<b>8,908,000</b>

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**9. TRANSFERS TO OTHER GOVERNMENT ENTITIES**

During the 12 months to 30 June 2021, we transferred funds to reporting government entities as shown below:

	2020/21			2019/20	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
<b>Transfers to National Government entities</b>					
Ministry Environment & Forestry – Development A/C	-	-			
	-	-	-		
<b>Transfers to County Governments</b>					
	-	-	-	-	
<b>TOTAL</b>	=	=	=	=	

**Note:** There were no transfers to other Government entities

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**10. OTHER GRANTS AND TRANSFERS AND PAYMENTS**

	2020/21			2019/20	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	
Grants for scholarships	-	-	-	-	-
Transfers to lower levels of government e.g schools	-	-	-	-	-
Miscellaneous payments	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Note:** There were no other grants and transfer and payments

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**11. CASH AND CASH EQUIVALENTS**

	<b>2020/21</b>	<b>2019/20</b>
	<b>KShs</b>	<b>KShs</b>
Bank accounts (Note 11A)	277,223	602,381
Cash in hand (Note 11B)	1,241	1,241
Cash equivalents (short-term deposits) (Note 11C)	-	-
<b>Total</b>	<b>278,464</b>	<b>603,622</b>

The project has two number of project accounts spread within the project implementation area and zero number of foreign currency designated accounts managed by the National Treasury as listed below:

**11. A Bank Accounts**

**Project Bank Accounts**

	<b>2020/21</b>	<b>2019/20</b>
	<b>KShs</b>	<b>KShs</b>
<b><u>Foreign Currency Accounts</u></b>		
Central Bank of Kenya [A/c No.....]		-
Kenya Commercial Bank [A/c No.....]		-
Co-operative Bank of Kenya [A/c No.....]		-
Others ( <i>specify</i> )		-
<b>Total Foreign Currency balances</b>	-	-
<b><u>Local Currency Accounts</u></b>		
Standard Chartered Bank [A/c No.0108093570904] (Cash book]	274,992	97,795
Co-operative Bank of Kenya [A/c No.01141294300200]	2,231	504,586
Co-operative Bank of Kenya [A/c No.....]		-
Others ( <i>specify</i> )		-
<b>Total local currency balances</b>	<b>277,223</b>	<b><u>602,381</u></b>
<b>Total bank account balances</b>	<b>277,223</b>	<b><u>602,381</u></b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Special Deposit Accounts**

The balances in the Project's Special Deposit Account(s) as at 30<sup>th</sup> June 2021 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**

	2020/21	2019/20
	KShs	KShs
<b>(i) A/C Name [A/c No.....]</b>		
Opening balance	-	-
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	=	=
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	=	=
<b>(ii) A/c Name [A/c No.....]</b>		
Opening balance (as per the SDA reconciliation)	-	-
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	=	=
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	=	=

The Special Deposit Account(s) reconciliation statement(s) has (have) been attached as *Appendix xx* support these closing balances.

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**11 B Cash In Hand**

	2020/21	2019/20
	KShs	KShs
LVEMP III Cash office	1,241	1,241
Location 2	-	-
Location 3	-	-
Other locations ( <i>specify</i> )	-	-
<b>Total cash balances</b>	<b>1,241</b>	<b>1,241</b>

**11 C Cash equivalents (short-term deposits)**

	2020/21	2019/20
	KShs	KShs
Kenya Commercial Bank [A/C No.....]	-	-
Co-Operative Bank of Kenya [A/C No.....]	-	-
Others ( <i>Specify</i> )	-	-
<b>Total</b>	<b>=</b>	<b>=</b>

**12. ACCOUNTS RECEIVABLES**

<i>Description</i>	2020-2021	2019-2020
	Kshs	Kshs
Government Imprests	-	-
Salary advances	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**Note:** There were no accounts receivables

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**12B: BREAKDOWN OF IMPRESTS AND ADVANCES**

<i>Name of Officer or Institution</i>	<i>Amount Taken</i>	<i>Due Date of Surrender</i>	<i>Amount Surrendered</i>	<i>Balance 2021</i>	<i>Balance 2020</i>
<i>Officer 1</i>					
<i>Institution</i>					
<i>Officer 2</i>					
<i>Officer 3</i>					
<i>Officer 4</i>					
<i>Officer 5</i>					
<i>Programme 1</i>					
<b>Total</b>					

**13. ACCOUNTS PAYABLES**

<b>Description</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Retention	-	-
Deposits	-	-
<b>Total</b>		

**14. FUND BALANCE BROUGHT FORWARD**

	<b>2020/21</b>	<b>2019/20</b>
	<b>KShs</b>	<b>KShs</b>
Bank accounts	602,381	10,378,235
Cash in hand	1,241	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
<b>Total</b>	<b>603,622</b>	<b>10,378,235</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**15. PRIOR YEAR ADJUSTMENT**

	<b>Balance b/f FY 2019/2020 as per Financial statements</b>	<b>Adjustments</b>	<b>Adjusted Balance b/f FY 2019/2020</b>
<b>Description of the error</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Bank account Balances	-	-	6,576,690.00
Cash in hand	-	-	-
Accounts Payables	-	-	-
Receivables	-	-	-
Others ( <i>specify</i> )	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>6,576,690.00</b>

*There was no prior year adjustment during the year*

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**12. OTHER IMPORTANT DISCLOSURES**

**1. PENDING ACCOUNTS PAYABLE (See Annex 3A)**

	Balance b/f FY 2019/2020	Additions for the period	Paid during the year	Balance c/f FY 2020/2021
Description	Kshs	Kshs	Kshs	Kshs
Construction of buildings	-	-		
Construction of civil works	-	-		
Supply of goods	-	-	-	-
Supply of services	10,335,363	1,060,206	8,908,000	2,487,569
<b>Total</b>	<b>10,335,363</b>	<b>1,060,206</b>	<b>8,908,000</b>	<b>2,487,569</b>

**2. PENDING STAFF PAYABLES (See Annex 3B)**

	Balance b/f FY 2019/2020	Additions for the period	Paid during the year	Balance c/f FY 2020/2021
Description	Kshs	Kshs	Kshs	Kshs
Senior management	-	-	-	-
Middle management	14,532,000	-	Nil	14,532,000
Unionisable employees	-	-	-	-
Others	-	-	-	-
<b>Total</b>	<b>14,532,000</b>	<b>-</b>	<b>Nil</b>	<b>14,532,000</b>

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**OTHER IMPORTANT DISCLOSURES (Continued)**

**3. OTHER PENDING PAYABLES**

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

There were no other pending payables during the year

**4. EXTERNAL ASSISTANCE**

	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs
External assistance received as grants	-	-
External assistance received as loans	-	-
External assistance received in kind- as payment by third parties	-	-
<b>Total</b>		

There was no external assistance during the financial year

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**OTHER IMPORTANT DISCLOSURES (Continued)**

*a) Undrawn external assistance*

	<b>Purpose for which the undrawn external assistance may be used</b>	<b>FY 2020/2021</b>	<b>FY 2019/2020</b>
<b>Description</b>		<b>Kshs</b>	<b>Kshs</b>
Undrawn external assistance - loans			
Undrawn external assistance - grants			
<b>Total</b>			

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

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1012	<p>i. The statement of financial assets as at 30 June, 2020 reflects a prior year adjustment of Kshs. 6,576,690 which was not supported with documentary evidence.</p> <p>The statement of receipts and payments does not reflect the deficit under the cumulative to date amount of Kshs. 7,388,575.</p>	<p>The prior year adjustment of Kshs. 6,576,690.00 reflected in the financial statements represent stale cheques that were re-credited back to the cashbook. A schedule of the same was reflected in the financial statements Annex 5. The original cancelled cheques are available for audit review. Copies of the stale cheques are attached and have been</p>	Not Resolved	Awaiting to appear before PAC at a future date

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>forwarded to the auditors' audit review.</p> <p><b>Appendix 1012(i)(a)</b></p> <p>The statement of receipts and payments initially forwarded for audit review did not reflect the deficit under cumulative to date amount of Kshs. 7,388,575. This was an oversight. The statement of receipt and payments was later amended and the cumulative amount reflected. The same was forwarded for audit review <b>(Appendix 1012(i)(b))</b></p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>ii. Other Appendices required as per the approved Public Sector Accounting Standard Board reporting templates such as bank reconciliations, confirmations, and cash count have not been attached to these financial statements. The amounts in the statement of financial assets</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>and other sections of the financial statements are also not rounded to the nearest shilling contrary to recommended reporting templates.</p> <p>Consequently, the accuracy and validity of the financial statements for the year ended 30 June, 2020 could not be confirmed.</p> <p>Management Response</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>The financial statements initially forwarded to the auditors did not have some appendices such as bank reconciliations, confirmations and cash count attached to them. This was an omission. In the financial statements that were amended and forwarded for audit review, these appendices were attached (Appendix 1012(ii)).</p>		
1013	<p>The statement of financial assets as at 30 June, 2020 reflects cash</p>	<p>It is true that cash confirmation and cash survey certificate (board</p>	<p>Not Resolved</p>	<p>Awaiting to appear before PAC at a future</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	and cash equivalents balance of Kshs. 603,621 while the bank reconciliation statements submitted for audit review had payments in the cash books not yet recorded in the bank statements totaling Kshs. 2,247,458. However, the payments could not be confirmed as at the time of the audit in November, 2020 as the bank statements and cash survey certificate were not availed for audit verification. In the absence of the necessary cash survey documentation, the	of survey report) were not availed at the time of audit. However, the same were later attached as appendices to the amended financial statements and forwarded to the auditors for audit review. <b>Appendix 1012 (ii)</b>		date

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>accuracy of cash in hand balance of Kshs. 1,241 as at 30 June, 2020 could not be confirmed.</p> <p>In the circumstance, the accuracy and completeness of the cash and cash equivalents balance of Kshs. 603,621 as at 30 June, 2020 could not be confirmed.</p>			
1014	<p><u>Unsupported Compensation of Employees</u></p> <p>The statement of receipts and payments reflects an amount of Kshs. 6,522,795 of</p>	<p>The statement of receipts and payments reflects an amount of Kshs. 6,522,795.00. This was total salaries paid to the employees during the financial year. Payment vouchers</p>	Not Resolved	Awaiting to appear before PAC at a future date

**Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance,  
Project No.V1570-KE  
Reports and Financial Statements  
For the financial year ended June 30, 2021**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>employees. However, the supporting schedules and other documentary evidence were not availed for audit review.</p> <p>Consequently, the accuracy of compensation of employees' expenditure of Kshs. 6,522,795 for the year ended 30 June, 2020 could not be confirmed</p>	<p>were not presented to the auditors at the time of audit since the officer who had stored them was out of office on official duties.</p> <p>However, the same were later forwarded for audit review. (Appendix 1014)</p>		
1015	<p><u>Unsupported Purchase of Goods and Services</u></p> <p>The statement of receipts and payments reflects a balance of Kshs. 22,828,508 under purchase of goods and</p>	<p>The statement of receipts and payments reflects Kshs. 22,828,508.00 under purchase of goods and services. Vouchers totaling Kshs. 7,408,894.00 were not availed to the auditors at the</p>	Not Resolved	Awaiting to appear before PAC at a future date

**Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance,  
Project No.V1570-KE  
Reports and Financial Statements  
For the financial year ended June 30, 2021**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>services. However, the documentary evidence availed for audit review reflected payments totaling Kshs. 15,419,614 resulting to an unsupported variance of Kshs. 7,408,894.</p> <p>Consequently, the validity and accuracy of the purchase of goods and services figure of Kshs. 22,828,508 for the year ended 30 June, 2020 could not be confirmed.</p>	<p>time of audit since the officer who had stored them was out of office on official duties. However, the same were later forwarded for audit review. (Appendix 1015)</p>		
1016	<p><u>Pending Bills</u> Note 10.1 and Note 10.2 to the financial</p>	<p>Note 10.1 and 10.2 to the financial statements reflects pending bills</p>	<p>Not Resolved</p>	<p>Awaiting to appear before PAC at a future</p>

**Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance,  
Project No.V1570-KE  
Reports and Financial Statements  
For the financial year ended June 30, 2021**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>statements reflects pending bills totalling Kshs. 24,867,363 as at 30 June, 2020 comprising of Kshs.10,335,363 and Kshs.14,532,000 due to suppliers of goods and services and staff respectively.</p> <p>Management has not provided reasons for non-payment of the bills even though the Project is at risk of incurring significant interest costs and penalties with the continued delay in making payments. Further, failure to settle bills during the year to which they relate</p>	<p>totaling Kshs. 24,867,363.00 as at 30<sup>th</sup> June 2020, comprising of Kshs. 10,335,363.00 and Kshs. 14,532,000.00 due to suppliers of goods and services and staff respectively.</p> <p>The pending bills resulted from inadequate exchequer funding. Out of the Kshs. 24,867,363.00 pending bills, Kshs 8,500,000 were cleared during financial year 2020/2021 leaving a balance of Kshs. 16,367,363.35 (Appendix 1016 (i))</p>		<p>date</p>

**Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance,  
Project No.V1570-KE  
Reports and Financial Statements  
For the financial year ended June 30, 2021**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge. Further, Annex 2B on analysis of pending staff bills reflects a nil balance while Note 10.2 to the financial statements reflects pending staff payables of Kshs. 14,532,000. In addition, the supporting schedules for staff payables had an amount of Kshs. 16,660,000 leading to an unexplained variance of Kshs. 2,128,000.</p>	<p>The supporting schedules for staff payables had an amount of Kshs. 16,660,000 while Note 10.2 reflected Kshs. 14,532,000 leading to an unexplained variance of Kshs. 2,128,000. This was an oversight and has since been rectified and the analysis in the amended financial statement match with the Kshs. 14,532,000 reflected in note 10.2. (Appendix 1016 (ii))</p>		

**Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance,  
Project No.V1570-KE  
Reports and Financial Statements  
For the financial year ended June 30, 2021**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Under the circumstances, the accuracy of the pending bills balance of Kshs. 24,867,363 as at 30 June, 2020 could not be confirmed			
1017	<p><u>Sustainability of Phase III of the Project</u></p> <p>As reflected in the statement of receipts and payments, the project received Kshs. 13,000,000 being the GOK counterpart funding. The International Development Agency (IDA) vide its letter</p>	<p>It is true the International Development Association (IDA) communicated the decision to stop project activities and funding. However, after termination of the LVEMP III PPA, the Ministry of Environment and forestry prepared a</p>	Not Resolved	Awaiting to appear before PAC at a future date

**Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance,  
Project No.V1570-KE  
Reports and Financial Statements  
For the financial year ended June 30, 2021**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>dated 2 October, 2019 addressed to The National Treasury and the Ministry of Environment and Forestry had communicated its decision to stop the Project activities and funding as it reviews its regional integration strategy in Sub-Saharan Africa.</p> <p>Under the circumstances, the ability of the Project to continue to sustain services is in doubt.</p>	<p>concept for a National Project, named Lake Victoria Climate Resilience and Environmental Project (LVCREMP). A cabinet memorandum was prepared and approved on 25<sup>th</sup> December 2021 by the Cabinet for the establishment of the LVCREMP. This planned project will continue to address the myriad of challenges which LVEMP program has been addressing. Cabinet Memo attached (Appendix 1017).</p> <p><b>REPORT ON</b></p>		

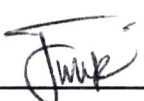
**Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance,  
Project No.V1570-KE  
Reports and Financial Statements  
For the financial year ended June 30, 2021**

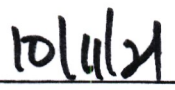
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)				
		<b>LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES</b>						
1018	<p><b>Non-Remittance of Statutory Deductions</b></p> <p>Records maintained by the Project indicates that statutory deductions totalling Kshs. 6,576,305 had not been remitted to the relevant statutory authorities some dating back over two years as shown below:</p> <table border="1" data-bbox="512 1641 815 1796"> <thead> <tr> <th data-bbox="512 1641 730 1742">Details</th> <th data-bbox="730 1641 815 1742"></th> </tr> </thead> <tbody> <tr> <td data-bbox="512 1742 730 1796">PAYE</td> <td data-bbox="730 1742 815 1796" style="text-align: right;">6,414,5</td> </tr> </tbody> </table>	Details		PAYE	6,414,5	<p>It is true records maintained by the project indicate statutory deductions totaling Kshs. 6,576,305 had not been remitted to the relevant statutory authorities.</p> <p>The deductions comprise of PAYE, VAT and NHIF. The non-remittance was occasioned by challenges in I-Tax systems where the</p>	Not Resolved	Awaiting to appear before PAC at a future date
Details								
PAYE	6,414,5							

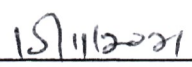
**Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance,  
Project No.V1570-KE  
Reports and Financial Statements  
For the financial year ended June 30, 2021**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)						
	<table border="1" data-bbox="383 828 702 996"> <tr> <td data-bbox="383 828 614 884">NHIF</td> <td data-bbox="614 828 702 884">8,500</td> </tr> <tr> <td data-bbox="383 884 614 940">VAT</td> <td data-bbox="614 884 702 940">153,283</td> </tr> <tr> <td data-bbox="383 940 614 996"></td> <td data-bbox="614 940 702 996">6,576,305</td> </tr> </table> <p data-bbox="327 996 702 1393">Non-remittance of statutory deductions within the due dates attracts penalties and interest.</p>	NHIF	8,500	VAT	153,283		6,576,305	<p data-bbox="718 828 1069 929">system was designed by KPA in January 2019 and the project closed its activities before remittance was done. We have since documented the same as pending bills waiting funding to conclude the payment.</p>		
NHIF	8,500									
VAT	153,283									
	6,576,305									

  
Principal Secretary

  
Project Coordinator

  
Date

  
Date

**14. ANNEXES**

**ANNEXI - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

	Final Budget a	Actual on Comparable Basis b	Budget Utilization Difference c=a-b	% of Utilization d=b/a %	Comments on Variance(below 90% and over 100%)
<b>Receipts</b>					
Transfer from Government entities	10,000,000	10,000,000	-	100%	
Proceeds from domestic and foreign grants					
Proceeds from borrowings	-		-	-	
Miscellaneous receipts	1,500,000	1,500,000	-	100%	
<b>Total Receipts</b>	<b>11,500,000</b>	<b>11,500,000</b>		<b>100%</b>	
<b>Payments</b>					
Compensation of employees	-				
Purchase of goods and services	2,917,158	2,917,158	-	-	
Social security benefits	-		-	-	
Acquisition of non-financial assets					
Transfers to other government entities	8,582,842	8,908,000	(325,158)	104%	The increment was brought by fluctuation of foreign currency since the machine was paid in Euros.
Other grants and transfers	-		-	-	
<b>Total payments</b>	<b>11,500,000</b>	<b>11,825,158</b>	<b>(325,158)</b>	<b>103%</b>	

*Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-KE  
Reports and Financial Statements  
For the financial year ended June 30, 2021*

**ANNEX 2: RECONCILIATION OF INTER-ENTITY TRANSFERS**

PROJECT NAME:		LAKE VICTORIA ENVIRONMENTAL MANAGEMENT PROJECT PHASE III		
Break down of Transfers from the State Department of Environment and Forestry				
Government Counterpart				
<b>a. Funding</b>				
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
1.	GOK funds		13,000,000	2019/2020 FY
2.	GOK funds		11,500,000	2020/2021 FY
	<b>Total</b>		<b>24,500,000</b>	
<b>b. Direct Payments</b>				
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
			-	
			-	
	<b>Total</b>		-	
<b>c. Others</b>				
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
			-	
	<b>Total</b>		-	
	<b>TOTAL(a+b+c)</b>		<b>24,500,000</b>	

The above amounts have been communicated to and reconciled with the parent Ministry/ state department

Project Coordinator  
I.VEMP III

Sign: 

Head of Accounting Unit  
Min. of Environment & Forestry

Sign: 

*Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No. V1570-KE  
Reports and Financial Statements  
For the financial year ended June 30, 2021*

**ANNEX 3A - ANALYSIS OF PENDING BILLS**

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid Date	To-Date	Outstanding Balance 2020/21	Outstanding Balance 2019/20	Comments
	a	b	c		d=a-c		
Construction of buildings							
1.							
2.							
Sub-Total							
Construction of civil works							
3.							
4.							
Sub-Total							
Supply of goods							
5.							
6.							
Sub-Total							
Supply of services							
7. Riley Falcon Security Services Ltd	571,484				571,484	188,838	Provision of office security services
8. Golf Hotel Kakamega	40,000.00				40,000.00	40,000	Provision of catering services during workshop to develop TOR for technical working groups to carry out baseline studies for LVEMP III project sites
9. Sovereign Hotel Ltd	120,000				120,000	120,000	Provision of catering services during a multi-sectoral consultative meeting on the cleaning of Lake Victoria

**Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No. V1570-KE  
Reports and Financial Statements  
For the financial year ended June 30, 2021**

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid Date	To-Date	Outstanding Balance 2020/21	Outstanding Balance 2019/20	Comments
10. Joelaban Concepts	69,600				69,600	69,600	Supply of business cards to LVEMP staff
11. Bechy Tours and Travel Ltd	227,405				227,405	227,405	Provision of air tickets to project staff travelling to attend meetings
12. Green Bay Travel Ltd	276,540				276,540	71,730	Provision of air tickets to project staff travelling to attend meetings
13. Iway Africa Kenya Ltd	919,391.60				919,392	919,392	Provision of internet services
14. DT Dobbie	198,398.50				198,399	198,399	Major service carried out on project vehicle GK 143Y
15. Devine Homes Resort	64,750				64,750	-	Provision of b/fast and lunches
16. Unit E	8,500,000		8,908,000		-	8,500,000	10% final balance for water hyacinth machine
17. xport Ltd							
<b>Sub-Total</b>	<b>2,487,569</b>				<b>2,487,569</b>	<b>10,335,363</b>	

**Lake Victoria Environmental Management Project Phase III (LYEMP III) Project Preparatory Advance, Project No. V1570-KE**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

**ANNEX 3B - ANALYSIS OF PENDING STAFF BILLS**

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2020/21	Outstanding Balance 2019/20	Comments
<b>Permanent Employees - Management</b>							
1. August, 2017 = 3,885,000							
2. June, 2018 = 4,879,000							
3. January, 2019 = 2,912,000							
4. January, 2020 = 2,856,000				Nil	14,532,000	14,532,000	Still outstanding the awaiting allocation of funds
5. <b>Total</b> 14,532,000							
6.							
<b>Sub-Total</b>							
<b>Permanent Employees - Others</b>							
7.							
8.							
<b>Sub-Total</b>							
<b>Temporary employees</b>							
9.							
10.							
<b>Sub-Total</b>							
<b>Others (specify)</b>							
11.							
12.							
<b>Sub-Total</b>							
<b>Grand Total</b>							
					<b>14,532,000</b>	<b>14,532,000</b>	

**Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No. V1570-KE**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

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

Asset class	Opening Cost (KShs) 2020/21	Donations in form of assets (KShs) 2020/21	*Purchases/ Additions in the Year (KShs) 2020/21	** Disposals in the Year (KShs) 2020/21	Transfers in/(out) Kshs 2020/21	Closing Cost (KShs) 2020/21
	(a)	(b)	(c)	(d)	(d)	(e)= (a)+ (b)+c)-(d)+(-d)
Land						
Buildings and structures	31,471,774					31,471,774
Transport equipment	154,475,284				18,717,400	135,757,884
Office equipment, furniture and fittings	42,799,076					42,799,076
ICT Equipment,						
Other Machinery and Equipment	81,600,000				81,600,000	Nil
Heritage and cultural assets						
Biological assets						
Infrastructure assets roads, rails						
Intangible assets						
Work in Progress						
<b>Total</b>	<b>310,346,134</b>				<b>100,317,400</b>	<b>210,028,734</b>

Note:

*During the year, two trucks costing Ksh18,717,400 and water hyacinth machine costing Ksh81,600,000 were transferred to Lake Basin Authority*

*Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory  
Advance, Project No.V1570-KE  
Reports and Financial Statements  
For the financial year ended June 30, 2021*

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**15. APPENDICES**

- i. Bank Reconciliations statement as at 30<sup>th</sup> June 2021
- ii. Board of Survey Report
- iii. Special Deposit Account(s) reconciliation statement(s)
- iv. GOK IFMIS comparison Trial Balance
- v. Prior year adjustment of 2019/2020 financial year

**MINISTRY OF ENVIRONMENT AND FORESTRY**  
**LAKE VICTORIA ENVIRONMENTAL MANAGEMENT PROJECT (LVEMP III)**  
**BANK RECONCILIATION STATEMENT**  
**AS AT 30TH JUNE, 2021**  
**IDA FUNDS**


DESCRIPTION	AMOUNT (KSH)
<b>Balance as per Bank Certificate</b>	420.70
1) Less: Payments in Cash Book not yet recorded in Bank statement (Unpresented Cheques)	-
2) Less: Receipts in in Bank statement not yet recorded in Cash Book	-
3) Add: Payments in Bank Statement not yet recorded in Cash Book	1,810.00
4) Add: Receipts in Cash Book not yet recorded in Bank statement	-
<b>Balance as per Cash Book</b>	<b>2,230.70</b>
<b>Difference</b>	<b>-</b>

1. PAYMENTS IN CASH BOOK NOT YET RECORDED IN BANK STATEMENT [UNPRESENTED]		AMOUNT (KSH)
NO.	DATE	PAYEE
1		
2		
<b>TOTALS</b>		

2. RECEIPTS IN BANK STATEMENT NOT YET RECORDED IN CASH BOOK		AMOUNT (KSH)
NO.	DATE	PAYEE
1		
2		
3		
<b>TOTALS</b>		

3. PAYMENTS IN BANK STATEMENT NOT YET RECORDED IN CASH BOOK		AMOUNT (KSH)
NO.	DATE	PAYEE
1	30/06/2021	Bank charges
2		
3		
<b>TOTALS</b>		<b>1,810.00</b>

4. RECEIPTS IN CASH BOOK NOT YET RECORDED IN BANK STATEMENT		AMOUNT (KSH)
NO.	DATE	DESCRIPTION
1		
2		
3		
<b>TOTALS</b>		

Prepared by:  .....  
 Signature

Supervisor: .....  
 Signature

Accountant *2/7/21* .....  
 Designation Date

.....  
 Designation Date



MINISTRY OF ENVIRONMENT AND FORESTRY  
LAKE VICTORIA ENVIRONMENTAL MANAGEMENT PROJECT (LVEMP III)  
BANK RECONCILIATION STATEMENT


AS AT 30TH JUNE, 2021

GOK FUNDS

DESCRIPTION	AMOUNT (KSH)
<b>Balance as per Bank Certificate</b>	268,838.00
1) Less: Payments in Cash Book not yet recorded in Bank statement (Unpresented Cheques)	
2) Less: Receipts in Bank statement not yet recorded in Cash Book	
3) Add: Payments in Bank Statement not yet recorded in Cash Book	6,154.00
4) Add: Receipts in Cash Book not yet recorded in Bank statement	
<b>Balance as per Cash Book</b>	<b>274,992.00</b>
<b>Difference</b>	

1. PAYMENTS IN CASH BOOK NOT YET RECORDED IN BANK STATEMENT (UNPRESENTED)		2. RECEIPTS IN BANK STATEMENT NOT YET RECORDED IN CASH BOOK	
NO.	PAYEE	DATE	PAYEE
1			
4			
5			
TOTALS			

3. PAYMENTS IN BANK STATEMENT NOT YET RECORDED IN CASH BOOK		4. RECEIPTS IN CASH BOOK NOT YET RECORDED IN BANK STATEMENT	
NO.	PAYEE	DATE	DESCRIPTION
	Bank charges (cumulatively)	30/6/2021	
TOTALS			

Prepared by:  Designation: Accountant Date: 2/7/21

Supervisor: \_\_\_\_\_ Designation: \_\_\_\_\_ Date: \_\_\_\_\_



REPUBLIC OF KENYA  
GOK

Date: 2<sup>ND</sup> JULY, 2021

Report of the Board of Survey on the Cash and Bank Balances of : LAKE VICTORIA ENVIRONMENTAL MANAGEMEN  
PROJECT

as at the close of business on 2<sup>nd</sup> JULY, 2021

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

1. MR. STEPHEN OKETCH – SENIOR LAB TECHNOLOGIST

2. MR. REUBEN KUTO – SENIOR LAB TECHNOLOGIST

3. MR. JOHN SARANGA – AG NATIONAL PROJECT COORDINATOR

ACCOUNTS ASSISTANT .

Assembled at the office of .....

3.20 PM 2<sup>ND</sup> JULY

At.....(time) on the ..... 2021

And the following cash was produced:-

Notes	.. .. .	Sh. 650.00
Silver	.. .. .	Sh. 22.00
Cheques (as per details on Reverse).	.. .. .	Sh.....

NIL

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

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

The Cash Book reflected the following balances as at the close of business on 30<sup>TH</sup> JUNE, 2021  
the

Cash on hand	.. .. .	Sh. 672.00
Bank balance	.. .. .	Sh 268,838.10.

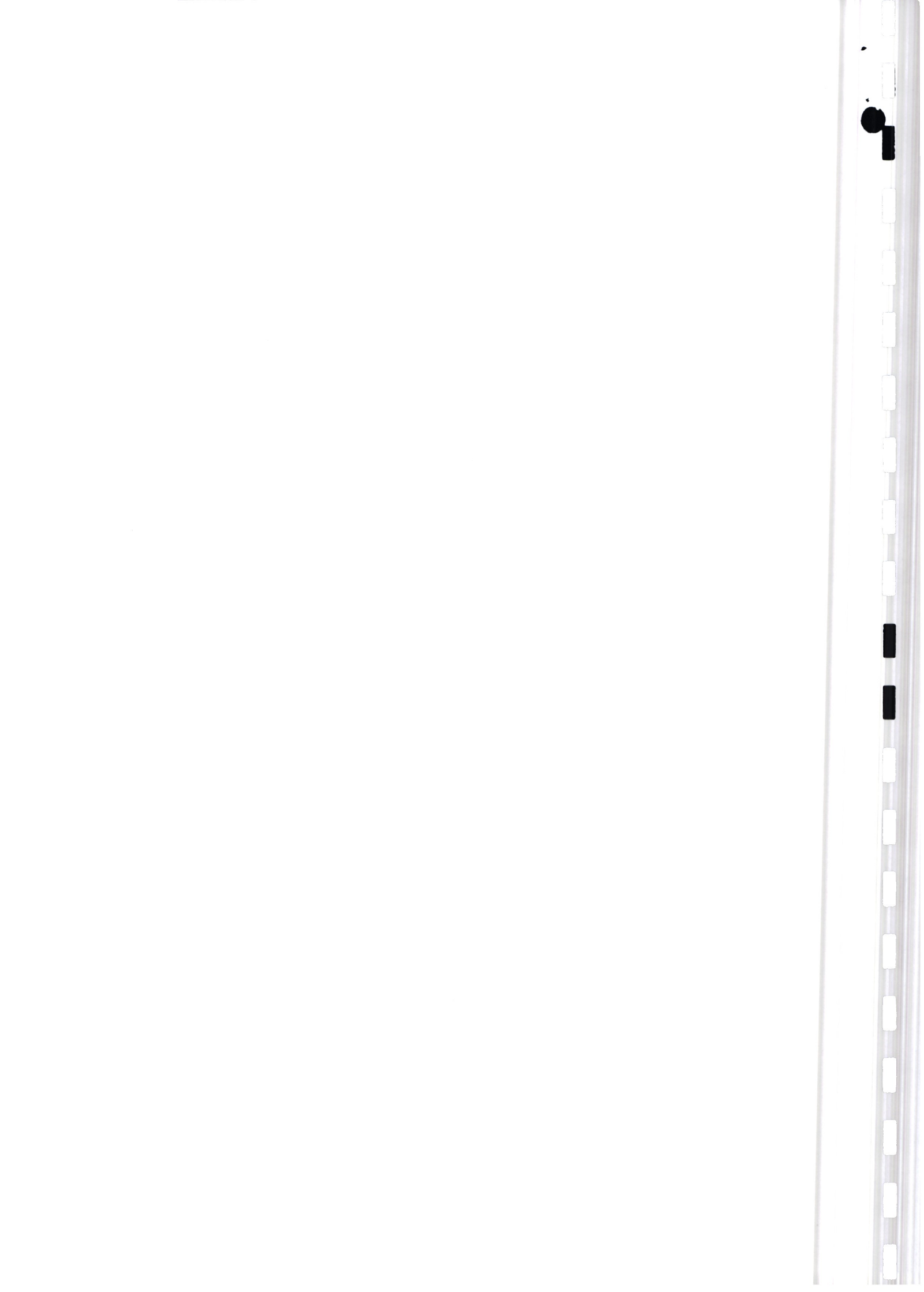
The Bank Certificate of Balance showed a sum of Sh. 268.838.10  
Standing to the credit of the account on.

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

Chairman

Date 21-7-2021.....

Members of the Board



REPUBLIC OF KENYA  
IDA

Date: 2<sup>ND</sup> JULY, 2021

Report of the Board of Survey on the Cash and Bank Balances of : LAKE VICTORIA ENVIRONMENTAL MANAGEMENT PROJECT

as at the close of business on 2<sup>ND</sup> JULY, 2021

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

1. MR. STEPHEN OKETCH – SENIOR LAB TECHNOLOGIST

2. MR. REUBEN KUTO – SENIOR LAB TECHNOLOGIST

3. MR. JOHN SARANGA – AG NATIONAL PROJECT COORDINATOR

ACCOUNTS ASSISTANT .

Assembled at the office of .....  
3.20 PM 2<sup>ND</sup> JULY

At .....(time) on the ..... 2021

And the following cash was produced:-

Notes	.. .. .	Sh. 500.00
		69.00
Silver	.. .. .	Sh.....
Cheques (as per details on Reverse).	.. .. .	Sh.....

NIL

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

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

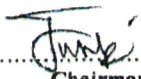

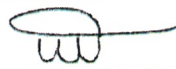
The Cash Book reflected the following balances as at the close of business on 30<sup>TH</sup> JUNE, 2020  
the

Cash on hand	.. .. .	Sh. 569.00
Bank balance	.. .. .	Sh 420.72

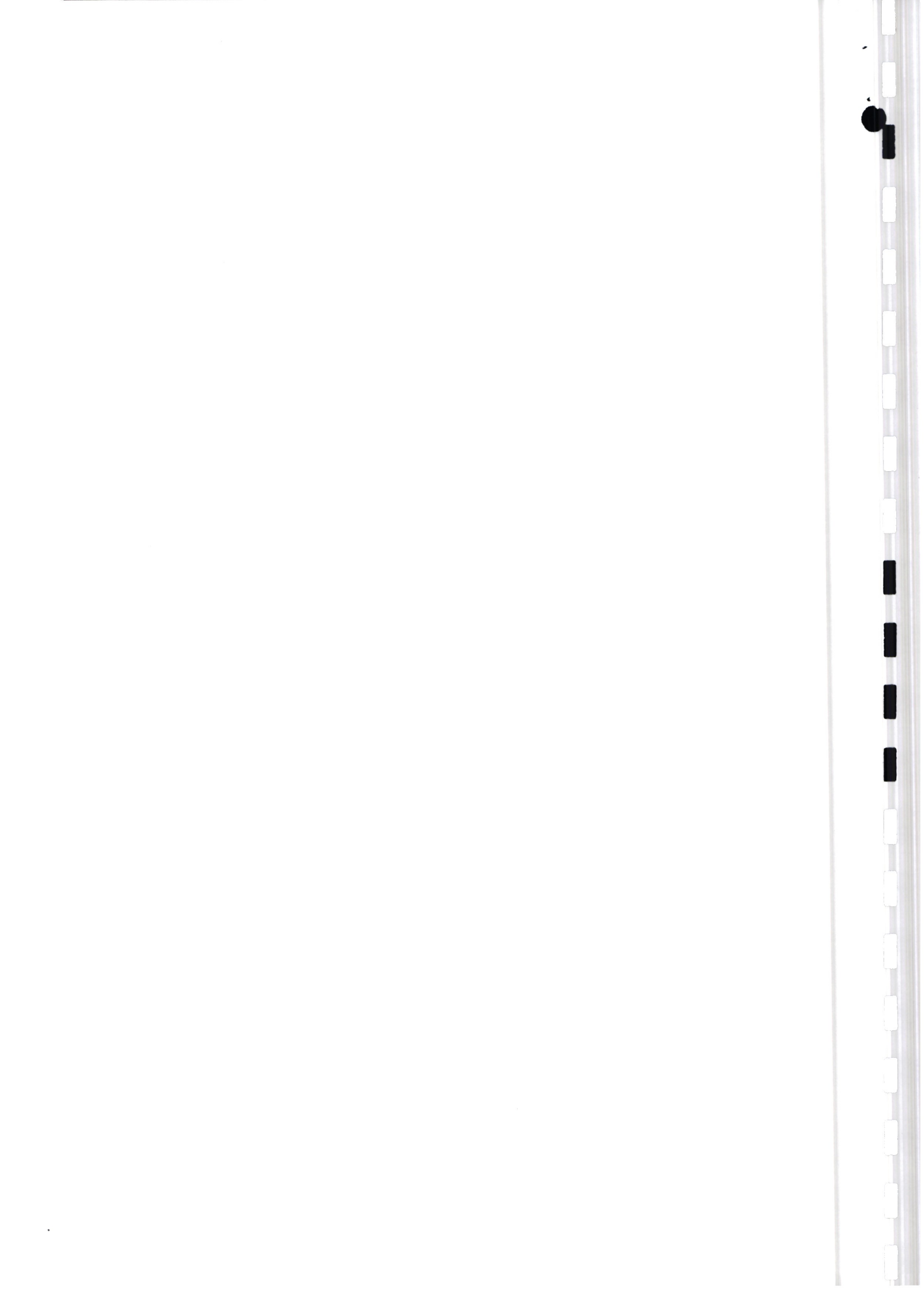
The Bank Certificate of Balance showed a sum of Sh. 420.72  
Standing to the credit of the account on.

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

Date 21/7/2021

  
Chairman  
  


Members of the Board



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**LAKE VICTORIA ENVIRONMENTAL MANAGEMENT PROJECT PHASE III  
STATEMENT OF SPECIAL (DESIGNATED) ACCOUNT RECONCILIATION  
FOR THE YEAR ENDED 30 JUNE 2021**

**Credit No.: IDA LOAN CREDIT NO.V1570-KE**

**Bank Account No.: 1583581107 Held with NIC BANK NAIROBI**

	NOTES	AMOUNT USD	AMOUNT USD
1	Amount advanced by IDA		395,231.74
	<b>Less:</b>		
2	Total amount documented		395,231.74
3	<b>Outstanding amount to be documented</b>		-
	<b>Represented by:</b>		
4	Ending Special account Balance as at 30 June 2021		-
5	Amounts claimed but not credited as at 30 June 2021		-
6	Amounts withdrawn and not claimed		-
7	Service Charges (if not included in lines 5 and 6 above)		-
8	Interest earned (if included in Special Account)		-
9	<b>Total advance to Special Account Year ended 30 June 2020</b>		-

Discrepancy between total appearing on line 3 and 9

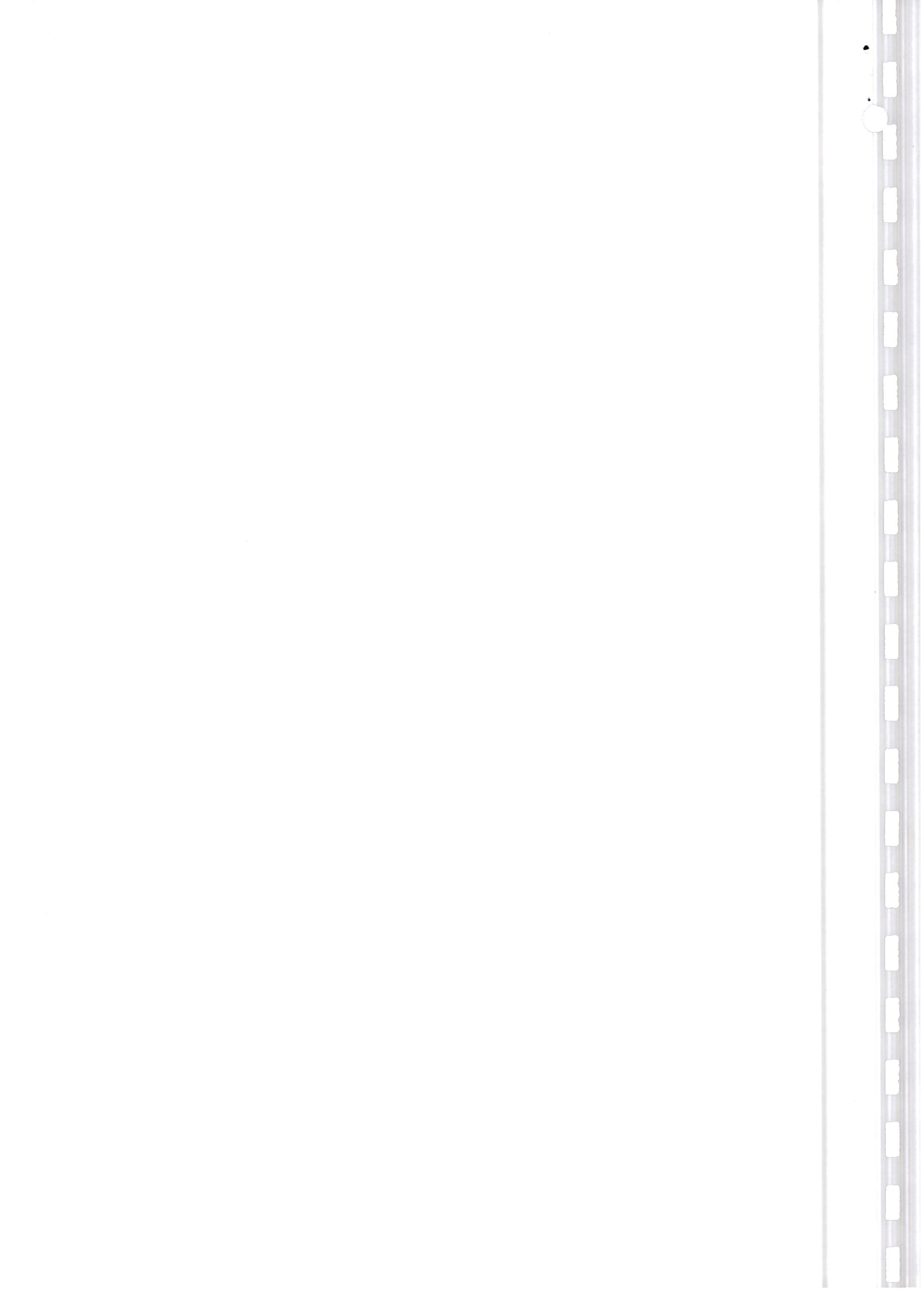
**Notes:**

- 1 Explain the discrepancy between totals appearing on lines 3 and 9 above (e.g amount due to be refunded to cover ineligible expenditures paid from the Special/Designated Account)
- 2 Indicate if amount appearing on line 6 is eligible for financing by IDA and provide reasons for not claiming the expenditures

**The Project Closed on 31.12.2019**

*Antimo*  
AUTHORISED REPRESENTATIVE  
RESOURCE MOBILISATION DEPARTMENT  
THE NATIONAL TREASURY

DATE: 30.07.2021



**SPECIAL ACCOUNT STATEMENT**

For period ending **30TH JUNE, 2021**  
 Account No. **1583581107**  
 Depository Bank **NIC BANK-NAIROBI**  
 Address **NIC HOUSE BRANCH, MASABA RD, NAIROBI.**  
 Related Loan **LVEMP- PHASE TWO CR. NO 4532**  
 Credit Agreement **4532**  
 Currency **USD**

**Account Activity**

Beginning balance of 1ST July, 2020  
 as per C.B.K. Ledger Account 21.74

**Add:**

Total Amount deposited by World Bank -

Total Interest earnings if deposited in account -

Total amount refunded to cover ineligible  
 expenditure -

**Deduct:**

Total amount withdrawn 21.74

Total service charges if not included above in  
 amount withdrawn -

Ending balance on 30th June,2021 -

**AUTHORISED REPRESENTATIVE  
 CENTRAL BANK OF KENYA**

**SIGNATURE:**

**DATE**

**AUTHORISED REPRESENTATIVE  
 EXTERNAL RESOURCES  
 DEPARTMENT-TREASURY**

**SIGNATURE:**

**DATE**

*[Handwritten Signature]*  
 26-07-2021  
*[Handwritten Signature]*  
 31-07-2021

NOTE: The ending balance as per Central Bank of Kenya Ledger Account and the off-shore Special Account as at 30th June, 2021 have been reconciled and a copy of the supporting Reconciliation Statement is attached.



Results 1 - 6 of 6

Run Date: 16/07/2021 Run Time: 12:32:34 STATEMENT OF ACCOUNT PAGE NO : 1  
 CENTRAL BANK OF KENYA ACCOUNT NUMBER : 1000134151  
 BANKI KUU YA KENYA ACCOUNT TITLE :-  
 P.O.BOX 60000-0200 NAIROBE 30/06/2021  
 STATEMENT PERIOD: From 01/07/2020 To

NO.	DATE	REFERENCE NO	DETAILS	DEBIT	CREDIT BALANCE
	OPENING BAL :		-21.74		
NO.	Value Date	Reference.No	Details	Debit	Credit
1	21/06/2021	FT211724MRVM	Transfer	0.00	21.74
			CLOSURE OF A/C		
			Central Bank of Kenya:		

CLOSING BALANCE : 0

END OF ACCOUNT STATEMENT

Favourites TAME.STMT.OF.ACCT [More Options](#) [Clear Selection](#) [Find](#)

Account  1000134151  
 Booking Date  20200701  
 Statement From  20200701  
 Statement To  20210630

TAME.STMT.OF.ACCT



# APPENDIX V

## UNPRESENTED PAYE/VAT CHEQUES

### VAT PAYMENTS

20/04/2018	Commissioner of VAT	10,087.00
20/04/2018	Commissioner of VAT	1,087.00
20/04/2018	Commissioner of VAT	10,707.00
25/03/2019	Commissioner of VAT	5,520.00
03/04/2019	Commissioner of VAT	1,637.00
04/04/2019	Commissioner of VAT	1,871.00
11/2/2019	Commissioner of VAT	91,386.00
22/02/2019	Commissioner of VAT	16,846.00
07/03/2019	Commissioner of VAT	14,142.00
04/06/2019	Postal Corp of Kenya	8,883.00

### Sub-total

**162,166.00**

### INCOME TAX PAYMENTS

28/06/2019	Commissioner of Income Tax	82,656.30
30/06/2017	Commissioner of Income Tax	259,789.60
30/06/2017	Commissioner of Income Tax	779,368.80
30/06/2017	Commissioner of Income Tax	254,780.00
30/06/2017	Commissioner of Income Tax	84,064.25
30/6/2017	Commissioner of Income Tax	8,670.00
30/06/2017	Commissioner of Income Tax	981,000.00
30/6/2017	Commissioner of Income Tax	168,128.50
30/06/2017	Commissioner of Income Tax	30,000.00
05/03/2019	Commissioner of Income Tax	605,800.05
04/04/2019	Commissioner of Income Tax	84,064.25
28/06/2019	Commissioner of Income Tax	1,918,680.00
03/05/2019	Commissioner of Income Tax	84,064.25
31/05/2019	Commissioner of Income Tax	84,064.25
06/03/2019	Commissioner of Income Tax	84,064.25
11/2/2019	Commissioner of Income Tax	840,642.50
26/04/2018	Commissioner of Income Tax	8,535.00
26/04/2018	Commissioner of Income Tax	2,845.00
05/03/2018	Commissioner of Income Tax	53,307.00

### Sub-total

**6,414,524.00**

### Grand Total

**6,576,690.00**



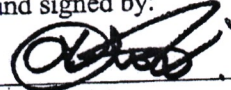
*Lake Victoria Environmental Management Project Phase III (LVEMP III) Project  
Preparatory Advance  
Reports and Financial Statements for the Financial Year Ended June 30, 2020*


**7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2020**

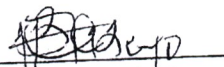
	Note	2019-2020	2018-2019
			Audited amt
		KShs	KShs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	9.13.A	602,380.50	10,316,996
Cash Balances	9.13.B	1,241.00	61,239
Cash Equivalents (short-term deposits)	9.13.C	-	
<b>Total Cash and Cash Equivalents</b>		<b>603,621.50</b>	<b>10,378,235</b>
Accounts receivables – Imprest and Advances	9.14	-	
<b>TOTAL FINANCIAL ASSETS</b>		<b>603,621.50</b>	<b>10,378,235</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd	9.15	10,378,235.00	1,415,506
Prior year adjustments	9.16	6,576,690.00	
Surplus/(Deficit) for the year		(16,351,303.50)	8,962,729
<b>NET FINANCIAL POSITION</b>		<b>603,621.50</b>	<b>10,378,235</b>

Note: The Restated amount for 2018/19 Financial year are explained in annex 1 of this statement.

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30/11/2020 and signed by:

  
Principal Secretary  
Date 30/11/2020

  
Project Coordinator  
Date 25/11/2020

  
Project Accountant  
Date  
ICPAK Member Number 5419



**ANNEX 5**  
**UNPRESENTED PAYE/VAT CHEQUES**

05/03/2018	Commissioner of Income Tax	53,307.00
20/04/2018	Commissioner of VAT	10,087.00
20/04/2018	Commissioner of VAT	1,087.00
20/04/2018	Commissioner of VAT	10,707.00
26/04/2018	Commissioner of Income Tax	8,535.00
26/04/2018	Commissioner of Income Tax	2,845.00
11/2/2019	Commissioner of VAT	91,386.00
11/2/2019	Commissioner of Income Tax	840,642.50
22/02/2019	Commissioner of VAT	16,846.00
06/03/2019	Commissioner of Income Tax	84,064.25
07/03/2019	Commissioner of VAT	14,142.00
03/05/2019	Commissioner of Income Tax	84,064.25
31/05/2019	Commissioner of Income Tax	84,064.25
04/06/2019	Postal Corp of Kenya	8,883.00
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30/06/2017	Commissioner of Income Tax	254,780.00
30/06/2017	Commissioner of Income Tax	84,064.25
30/6/2017	Commissioner of Income Tax	8,670.00
30/06/2017	Commissioner of Income Tax	981,000.00
30/6/2017	Commissioner of Income Tax	168,128.50
30/06/2017	Commissioner of Income Tax	30,000.00
05/03/2019	Commissioner of Income Tax	605,800.05
25/03/2019	Commissioner of VAT	5,520.00
03/04/2019	Commissioner of VAT	1,637.00
04/04/2019	Commissioner of VAT	1,871.00
04/04/2019	Commissioner of Income Tax	84,064.25
28/06/2019	Commissioner of Income Tax	1,918,680.00
	<b>Total</b>	<b><u>6,576,690.00</u></b>

