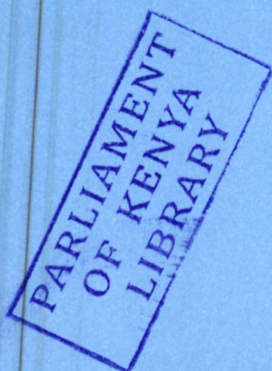


REPUBLIC OF KENYA



Enhancing Accountability



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, 2023**

**MINISTRY OF ENVIRONMENT AND
FORESTRY**

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 06 DEC 2023	DAY: WED
TABLED	Hon Naomi Wago, MP Deputy majority whip
CLERK AT THE TABLE:	Miriam Moko



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

IMPLEMENTING ENTITY: MINISTRY OF ENVIRONMENT, CLIMATE CHANGE & FORESTRY

PROJECT GRANT/CREDIT NUMBER: V1570 - KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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

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***Lake Victoria Environmental Management Project Phase III (LVEMP III) Project
Preparatory Advance, Project No.V1570-KE
Annual Report and Financial Statements for the financial year ended June 30, 2023***

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***Lake Victoria Environmental Management Project Phase III (LVEMP III) Project
Preparatory Advance, Project No.V1570-KE
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1. Acronyms and Glossary of Terms

CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
WB	World Bank
Comparative FY	Financial year preceding the current financial year.

2. Project Information and Overall Performance

2.1 Name and registered office

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

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

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

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

Contacts: The following are the project contacts

Telephone: (254) 572020563

E-mail: lvempke@gmail.com

Website: www.lvempkenya.org

2.2 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. Luke Otila
Project Sponsor:	The project sponsor is World Bank/GoK

2.3 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

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

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	and Environmental Management Project III (LVCREMP) and subsequently a Cabinet Memorandum has been approved by the Cabinet prioritizing the new project.
Current situation that the project was formed to intervene	The Lake Victoria Basin (LVB) is an important and strategic ecological and economic zone for the country. The Basin carries about 30% (about 14.5 million) of the country's total population who depend on the lake and other natural resources within the basin for their livelihoods. Agriculture remains the backbone of the economy supporting over 80% of the population. The basin is rich in natural and social capital with the main primary productive sectors being; water, agriculture (crops and livestock) fisheries, forestry, mining, energy (hydroelectric production at Sondu Miriu at 60 MW and Sangoro at 20 MW), tourism, trade and industry. It is worth noting that Sondu Miriu operates at 50% capacity as a result of land degradation in the Mau catchment. The LVB tree cover for lakeshore counties varies between 0.4-2.5percent which is far below the constitutional requirement of at least 10% tree cover. This makes the basin a net importer of forest/tree product and also vulnerable to agents of degradation. Lake Victoria Basin and its major catchments are among the most threatened habitat types in the world. Over the coming decades, biodiversity loss, climate change, environmental degradation and water shortages are expected to be among the world's greatest challenge.
Project duration	The project started on 1st January 2018 and was expected to run until 31 December 2019 but The World Bank terminated the Financing Agreement on 2 nd October 2019 before the project preparations were completed.

2.4 Bankers

The following are the bankers for the current year:

- (i) Standard Chartered Bank, Account No.0108093570904, Kenyatta avenue branch, Nairobi.

2.5 Independent Auditor

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

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2.6 Roles and Responsibilities

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

Names	Title designation	Key qualification	Responsibilities
Luke Otila	Ag. National Project Coordinator	Bsc – Environmental Planning and Management.	In charge of the project
Enock Maticha	Project Accountant	B.COM (Finance), CPA (K)	Financial Management
Humphrey Okusimba (Left the project in Feb. 2020)	Monitoring and Evaluation Officer	Masters – Economics	Monitoring and Evaluation
Rodrick Kundu (Left the project in Feb. 2020)	Fisheries Specialist	Masters- Fisheries Management	Technical experts: Fisheries activities
Engineer Isaac Ngugi (Left the project in August 2021)	Agriculture Specialist	BSc-Agricultural Engineering	Technical experts: Agriculture and Livestock activities
Maurice Wanyiri (Left the project in May 2020)	Natural Resource Management specialist	Masters -Environmental Planning Management	Technical experts: Forestry
Solomon Kihui (Left the project in January 2020)	Environment Specialist	Masters – Environmental Science	Technical experts: Environmental management
Florence Nyangau'	Procurement Officer	Diploma - Supplies Management.	In charge of Supplies Chain Management
Evans Kweyu	Accounts Assistant	Diploma- Management	Accounts
Elisha Nduga	Procurement Officer	Diploma – Supply Chain Management	Supply chain management
Evelyn Mwikali	Administrative Assistant	Diploma – Business administration	Supports NPCT
Stephen Oketch	Senior Lab Technologist	Higher National Diploma – Applied biology	Water quality and pollution monitoring
Reuben Kuto	Senior Lab Technologist	Higher National Diploma – Analytical Chemistry.	Water quality and pollution monitoring
John Okere (Left the project in February 2020)	Chief Hydrologist Assistant	Diploma – Surface water	Metrological and water quantity assessment.

2.7 Funding summary

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

Below is the funding summary:

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment		Amount received to date – (30 th June 2023)		Undrawn balance to date	
	Donor currency USD (A)	Kshs (A')	Donor currency USD (B)	Kshs (B')	Donor currency Kshs (A)-(B)	Kshs (A')-(B')
(i) Grant						
IDA–World Bank	1,900,000	190,000,000	398,911	39,891,145	1,501,088.50	150,108,855
(ii) Loan	-	-	-	-	-	-
(iii) Counterpart funds						
Government of Kenya	528,000	52,800,000	604,420	60,442,000	-	-
Total	2,428,000	242,800,000	1,003,331	100,333,145	1,501,088.50	150,108,855

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

Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2023)		Cumulative amount paid to date – (30 th June 2023)		Unutilised balance to date (30th June 2023)	
	<i>Donor currency</i> USD	<i>Kshs</i> (A')	<i>Donor currency</i> USD	<i>Kshs</i> (B')	<i>Donor currency</i> USD	<i>Kshs</i> (A')-(B')
(i) Grant						
IDA-World Bank	398,911	39,891,145	398,911	39,891,145	-	-
(i) Loan						
	-	-	-	-	-	-
(ii) Counterpart funds						
Government of Kenya	604,420	60,442,000	604,231	60,423,140	188.60	18,860
Total	1,003,331	100,333,145	1,003,142	100,314,285	188.60	18,860

Project information and overall performance (continued)

2.8 *Summary of Overall Project Performance:*

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

2.9 *Summary of Project Compliance:*

The project has not had any incidence of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants.

3. Statement of Performance against Project's Predetermined Objectives

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

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

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:

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

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	improvements in selected hotspot areas	Share of targeted beneficiary adopting improved livelihood and climate resilient land linked practices		
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4. Environmental and Sustainability reporting

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

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

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

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

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

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

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

5. Statement of Project Management responsibilities

The *Principal Secretary*, State Department for Environment and Climate Change and the *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 year (period) ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The *Principal Secretary*, State Department for Environment and Climate Change and the *Project Coordinator* for **Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-KE** accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

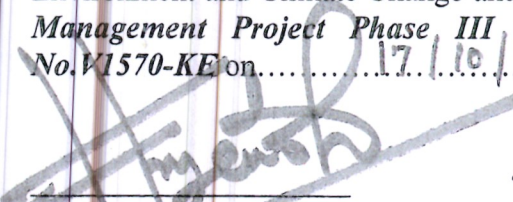
The *Principal Secretary*, State Department for Environment and Climate Change and the *Project Coordinator* for **Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-KE** are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2023, and of the Project's financial position as at that date. The *Principal Secretary*, State Department for Environment and Climate Change and the *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*, State Department for Environment and Climate Change and the *Project Coordinator* for **Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-KE** confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

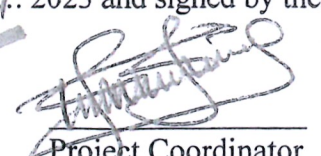
***Lake Victoria Environmental Management Project Phase III (LVEMP III) Project
Preparatory Advance, Project No.V1570-KE
Annual Report and Financial Statements for the financial year ended June 30, 2023***

Approval of the Project Financial Statements

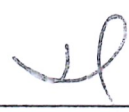
The Project financial statements were approved by the *Principal Secretary*, State Department for Environment and Climate Change and the *Project Coordinator* for ***Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-KE*** on.....17/10/..... 2023 and signed by them.



Principal Secretary
Eng. Festus Ng'eno



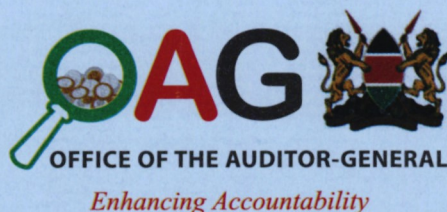
Project Coordinator
Luke Otila



Project Accountant:
Enock Maticha
ICPAK Member No: 23310

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON LAKE VICTORIA ENVIRONMENTAL MANAGEMENT PROJECT PHASE III (LVEMP) PROJECT PREPARATORY ADVANCE NO. V1570 - KE FOR THE YEAR ENDED 30 JUNE, 2023 - MINISTRY OF ENVIRONMENT AND FORESTRY

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Lake Victoria Environmental Management Project Phase III (LVEMP) set out on pages 1 to 29, which comprise of the

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, 2023 - Ministry of Environment and Forestry

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

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Lake Victoria Environmental Management Project Phase III as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement No. V1570 dated 27 June, 2018 between the International Development Agency and the Republic of Kenya and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Unsupported Expenditure

The statement of receipts and payments reflects total payments amounting to Kshs.6,065,186 as disclosed in Note 6 to the financial statements which includes an amount of Kshs.3,939,300 in relation to domestic travel and subsistence allowances, an amount of Kshs.640,800 on specialized materials and services and an amount of Kshs.800,368 on other operating expenses. However, these expenditure amounts were not supported by an approved annual work plan while no documentary evidence was provided for audit to demonstrate that the payments related to Project's activities.

In the circumstances, the accuracy and completeness of the total payments amounting to Kshs.6,065,186 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Pending Bills

Notes 1 and 2 on other important disclosures to the financial statements reflect pending suppliers' and staff payables balances of Kshs.286,198 and Kshs.13,572,000 respectively relating to 2019/2020 and earlier years. However, Management has not provided the reason for non-payment of the bills or explained how the bills will be cleared given that the Project is no longer funded by the donor.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by International Development Agency (IDA) and the preparatory advance Credit Number V 1570, I report based on my audit, that;

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

Those charged with governance are responsible for overseeing the Project's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error,

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

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

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

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

01 November, 2023

~~7. Statement of Receipts and Payments for the year ended 30th June 2023.~~

	Note	Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payment controlled by the entity	Payments made by third parties	Total	Cumulative to-date (From inception)
		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
		2022/2023						2021/2022
Receipts								Kshs.
Transfer from Government entities	1	5,000,000	-	5,000,000	10,000,000	-	10,000,000	60,442,000
Loan from external development partners	2	-	-	-	-	-	-	39,891,145
Total receipts		5,000,000		5,000,000	10,000,000	-	10,000,000	100,333,145
Payments								
Compensation to employees	3	-	-	-	960,000	-	960,000	18,850,790
Purchase of goods and services	4	6,065,185.90	-	6,065,185.90	8,234,418.10	-	8,234,418.10	72,555,495
Acquisition of non-financial assets	5	-	-	-	-	-	-	8,908,000
Total payments		6,065,185.90	-	6,065,185.90	9,194,418.10	-	9,194,418.10	100,314,285
Surplus/ (deficit)		(1,065,185.90)	-	(1,065,185.90)	805,581.90	-	805,581.90	18,860

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

Eng. Festus Ng'eno
Principal Secretary

Luke Otila
Project Coordinator

Enock Maticha
Project Accountant
ICPAK Member No.

*Lake Victoria Environmental Management Project Phase III (LVEMP III) Project
Preparatory Advance, Project No.V1570-KE
Annual Report and Financial Statements for the financial year ended June 30, 2023*

8. Statement of Financial Assets as at 30th June 2023

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Financial Assets			
Cash and Cash equivalents			
Bank Balances	6.A	18,860	1,084,008.90
Cash Balances	6. B	-	37.00
Cash equivalents (Short-term deposits)	6.C	-	-
Total Cash and Cash equivalents		18,860	1,084,045.90
Imprests and Advances	7	-	-
Total Financial Assets		18,860	1,084,045.90
Financial Liabilities			
Third party Deposits and Retention	8	-	-
Net Assets		18,860	1,084,045.90
Represented By			
Fund Balance B/fwd.	9	1,084,045.90	278,464.00
Prior Year adjustments	10	-	-
Surplus/(Deficit) for the Year		(1,065,185.90)	805,581.90
Net Financial Position		18,860	1,084,045.90

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 19th October, 2023 and signed by:

.....
Eng. Festus Ng'eno
Principal Secretary

.....
Luke Otila
Project Coordinator

.....
Enock Maticha
Project Accountant
ICPAK Member No: 23310

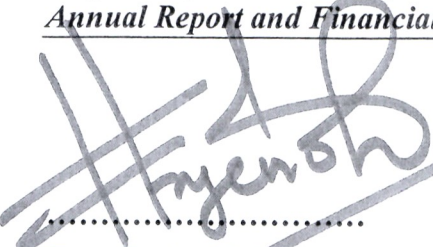
*Lake Victoria Environmental Management Project Phase III (LVEMP III) Project
Preparatory Advance, Project No.V1570-KE
Annual Report and Financial Statements for the financial year ended June 30, 2023*

9. Statement of Cashflow for the year ended 30th June 2023

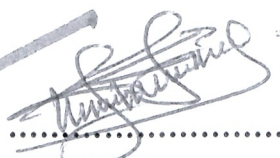
Description	Notes	2022/2023	2021/2022
		Kshs	Kshs
Cashflow from operating activities			
Receipts			
Transfer from government entities	1	5,000,000	10,000,000
Total receipts		5,000,000	10,000,000
Payments			
Compensation of employees	3	-	960,000
Purchase of goods and services	4	6,065,185.90	8,234,418.10
Total Payments		6,065,185.90	9,194,418.10
Net receipts/(payments)		(1,065,185.90)	805,581.90
Adjustments during the year			
Net cash flow from operating activities		(1,065,185.90)	805,581.90
Cashflow from investing activities			
Acquisition of non-financial assets	5	-	-
Net cash flows from investing activities		-	-
Cash flow from financing activities			
Proceeds from foreign borrowings		-	-
Net cash flow from financing activities		-	-
Net increase in cash and cash equivalents		(1,065,185.90)	805,581.90
Cash and cash equivalent at beginning of the year	6	1,084,045.90	278,464.00
Cash and cash equivalent at end of the year	6	18,860	1,084,045.90

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 17/10/ 2023 and signed by:

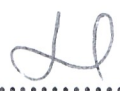
*Lake Victoria Environmental Management Project Phase III (LVEMP III) Project
Preparatory Advance, Project No.V1570-KE
Annual Report and Financial Statements for the financial year ended June 30, 2023*



.....
Eng. Festus Ng'eno
Principal Secretary



.....
Luke Otila
Project Coordinator

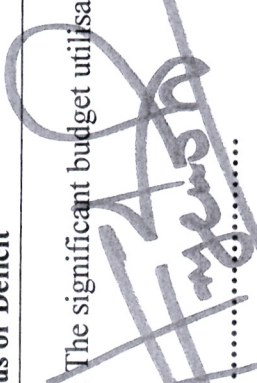


.....
Enock Maticha
Project Accountant
ICPAK Member No: 23310

10. Statement of Comparison of Budget and Actual amounts for year ended 30th June 2023

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfer from Government entities	10,000,000	(5000,000)	5,000,000	5,000,000	-	100%
Proceeds from domestic and foreign grants	-	-	-	-	-	-
Proceeds from borrowings	-	-	-	-	-	-
Miscellaneous receipts	-	-	-	-	-	-
Total Receipts	10,000,000	(5000,000)	5,000,000	5,000,000	-	100%
Payments						
Compensation to employees	-	-	-	-	-	-
Purchase of goods and services	10,000,000	(5000,000)	5,000,000	6,065,185.90	(1,065,185.90)	121.3%
Social security benefits	-	-	-	-	-	-
Acquisition of non-financial assets	-	-	-	-	-	-
Transfers to other government entities	-	-	-	-	-	-
Other grants and transfers	-	-	-	-	-	-
Total Payments	10,000,000	(5000,000)	5,000,000	6,065,185.90	(1,065,185.90)	121.3%
Surplus or Deficit	-	-	-	(1,065,185.90)	-	-

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


Eng. Festus Ng'eno
Principal Secretary


Luke Otila
Project Coordinator


Enock Maticha
Project Accountant
ICPAK Member No: 23310

11. Significant Accounting Policies

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

a) Statement of compliance and basis of preparation

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

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

b) Reporting entity

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

c) Reporting currency

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

d) Recognition of receipts

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

i) Transfers from the Exchequer

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

Significant Accounting Policies (continued)

ii) External Assistance

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

iii) Other receipts

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

iv) Donations and grants

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

v) Proceeds from borrowing.

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

vi) Undrawn external assistance

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

Significant Accounting Policies (continued)

e) Recognition of payments

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

i) Compensation to employees

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

ii) Use of goods and services

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

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

Significant Accounting Policies (continued)

v) Acquisition of fixed assets

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

f) In-kind donations

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

g) Cash and cash equivalents

Cash and cash equivalents comprise cash 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.

Significant Accounting Policies (Continued)

h) Restriction on cash

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

i) Imprests and Advances

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

j) Contingent Liabilities

A contingent liability is:

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

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

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

Significant Accounting Policies (Continued)

k) Contingent Assets

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

l) Pending bills

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

m) Budget

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

the Project's actual performance against the comparable budget for the financial year/period under review has been *included in an annex to these financial statements*.

n) Third party payments

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

o) Exchange rate differences

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

p) Comparative figures

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

q) Subsequent events

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

r) Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). Explanations and details of these prior period adjustments are presented *in note 10 of these financial statements*.

12. Notes to the Financial Statements

1. Transfers from Government entities

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

Description	2022/2023	2021/2022	Cumulative to-date (from inception)
	Kshs	Kshs	Kshs
<i>Counterpart funding through Ministry of Environment, Climate Change and Forestry</i>			
Counterpart funds Quarter 1	-	5,000,000	-
Counterpart funds Quarter 2	-	-	-
Counterpart funds Quarter 3	-	-	-
Counterpart funds Quarter 4	5,000,000	5,000,000	60,442,000
Total (See Annex 3)	5,000,000	10,000,000	60,442,000
<i>Other transfers from government entities</i>			
	-	-	-
Total	-	-	-
Appropriations-in-Aid	-	-	-
Total	5,000,000	10,000,000	60,442,000

Notes to the Financial Statements (Continued)

2. Loan from External Development Partners

During the financial period to 30 June 2023, we received funding from development partners in form of loans negotiated by the National Treasury as detailed in the table below:

Description	Date received	2022/2023				2021/2022		Cumulative to date
		Amount in loan currency (Insert currency)	Loans received in actual amount Kshs	Loans received as direct payment* Kshs	Total amount in Kshs	Total amount in Kshs	Total amount in Kshs	
Loans received from bilateral Donors (Foreign Governments)								
Insert name of foreign Government								
Insert name of foreign Government								
IDA	-	-	-	-	-	-	-	39,891,145
Insert name of international organization								
Insert name of international organization								
Total			-	-	-	-	-	39,891,145

Note: There were no donor funding during the financial year 2022/2023

Notes to the Financial Statements (Continued)

3. Compensation to Employees

Description	2022/2023			2021/2022		Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total payments	Total payments		
	Kshs	Kshs	Kshs	Kshs	Kshs	
-						
Basic salaries of permanent employees						
Basic wages of temporary employees	-			-	8,715,533	
Personal allowances paid as part of salary	-		-	-	396,919	
Personal allowances paid as reimbursements	-			-	8,778,338	
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	-			960,000	960,000	
Total	-		-	960,000	18,850,790	

Notes to the Financial Statements (Continued)

4. Purchase of Goods and Services

Description	2022/2023			2021/2022		Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments		
	Kshs	Kshs	Kshs	Kshs		Kshs
Utilities, supplies and services	-	-	-	-		2,320,760
Communication, supplies and services	191,600	-	191,600	969,391.60		5,963,358.60
Domestic travel and subsistence	3,939,300	-	3,939,300	3,240,064.00		40,840,024
Foreign travel and subsistence	-	-	-	-		1,383,967
Printing, stationery, advertising, and information supplies	126,877	-	126,877	1,206,452		4,944,003.10
Rentals of produced assets	-	-	-	-		5,000
Training payments	-	-	-	164,400		673,060
Hospitality supplies and services	239,208	-	239,208	374,742		4,383,086.90
Insurance costs	-	-	-	-		-
Specialized materials and services	640,800	-	640,800	-		640,800
Other operating payments	800,368.90	-	800,368.90	1,674,755.50		4,433,455
Routine maintenance – vehicles and other transport equipment	127,032	-	127,032	604,613		3,085,818
Office operating costs	-	-	-	-		269,562
Routine maintenance- other assets	-	-	-	-		3,612,600
Total	<u>6,065,185.90</u>	<u>=</u>	<u>6,065,185.90</u>	<u>8,234,418.10</u>		<u>72,555,495</u>

Notes to the Financial Statements (Continued)

5. Acquisition of Non-Financial Assets

Description	2022/2023			2021/2022	Cumulative to-date
	Payments made in Cash Kshs.	Payments made by third parties Kshs.	Total payments Kshs	Total payments 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
Rehabilitation & renovation of plant, equipment & machinery					

*Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-KE
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Description	2022/2023			2021/2022		Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments		
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						
Total	=	=	=	=	=	8,908,000

Notes to the Financial Statements (Continued)

6. Cash And Cash equivalents

Description	2022/2023	2021/2022
	Kshs	Kshs
Bank accounts (Note 6A)	18,860	1,084,008.90
Cash in hand (Note 6B)	-	37.00
Cash equivalents (short-term deposits) (Note 6C)	-	-
Total	<u>18,860</u>	<u>1,084,045.90</u>

LVEMP III Project has one project account within the project implementation area and zero number of foreign currency designated accounts managed by the National Treasury as listed below:

6. A Bank Accounts

Project Bank Accounts

Details	2022/2023	2021/2022
	Kshs	Kshs
<u>Foreign Currency Accounts</u>		
Central Bank of Kenya [A/c No.....]		
Kenya Commercial Bank [A/c No.....]		
Co-operative Bank of Kenya [A/c No.....]		
Others (<i>specify</i>)		
Total Foreign Currency balances		
<u>Local Currency Accounts</u>		
Central Bank of Kenya [A/c No.]	-	-
Kenya Commercial Bank [A/c No...]	-	-
Co-operative Bank of Kenya [A/c No.....]	-	-
Standard Chartered Bank [A/c No.0108093570904]	18,860	1,084,008.90
Total local currency balances	18,860	1,084,008.90
Total bank account balances	18,860	1,084,008.90

Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-KE
Annual Report and Financial Statements for the financial year ended June 30, 2023

Notes to the Financial Statements (Continued)

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2023 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

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

Special Deposit Accounts Movement Schedule

Description	2022/2023	2021/2022
	Kshs	Kshs
(i) A/C Name [A/c No.....]		
Opening balance		
Total amount deposited in the account		
Total amount withdrawn (as per Statement of Receipts & Payments)		
Closing balance (as per SDA bank account reconciliation attached)		
(ii) A/c Name [A/c No.....]		
Opening balance (as per the SDA reconciliation)		
Total amount deposited in the account		
Total amount withdrawn (as per Statement of Receipts & Payments)		
Closing balance (as per SDA bank account reconciliation attached)		

*Lake Victoria Environmental Management Project Phase III (LVEMP III) Project
Preparatory Advance, Project No.V1570-KE
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Notes to the Financial Statements (Continued)

6 B Cash in hand

Description	2022/2023	2021/2022
	KShs	KShs
LVEMP III Cash office	-	37
Location 2	-	-
Location 3	-	-
Other locations (<i>specify</i>)	-	-
Total cash in hand balances	=	37

6 C Cash equivalents (short-term deposits)

Description	2022/2023	2021/2022
	Kshs	Kshs
Kenya Commercial Bank [A/C No.....]		
Co-Operative Bank of Kenya [A/C No.....]		
Others (<i>Specify</i>)		
Total	=	=

7. Imprests and Advances

Description	2022/2023	2021/2022
	Kshs	Kshs
Government Imprests		
Salary advances		
Total	-	-

*Lake Victoria Environmental Management Project Phase III (LVEMP III) Project
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Annual Report and Financial Statements for the financial year ended June 30, 2023*

Notes to the Financial Statements (Continued)

7A: Breakdown of Imprests and Advances

Name of Officer or Institution	Amount Taken	Due Date of Surrender	Amount Surrendered	Balance Current FY	Balance Comparative FY
	Kshs	Kshs	Kshs	Kshs	Kshs
<i>Officer 1</i>					
<i>Officer 2</i>					
<i>Officer 3</i>					
<i>Officer 4</i>					
<i>Officer 5</i>					
<i>Programme 1</i>					
Total	=		-		-

8. Deposits and Retention Monies

Description	2022/2023		2021/2022	
	Kshs		Kshs	
Retention				
Deposits				
Total				
Ageing analysis:	2022/2023	% of the Total	2021/2022	% of the Total
Under one year				
1-2 years				
2-3 years				
Over 3 years				
Total	-	-	-	-

*Lake Victoria Environmental Management Project Phase III (LVEMP III) Project
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9. Fund Balance Brought Forward

Description	2022/2023	2021/2022
	Kshs	Kshs
Bank accounts	1,084,008.90	277,223
Cash in hand	37.00	1,241
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
Deposits and retention	-	-
Total	1,084,045.90	278,464

Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-KE
Annual Report and Financial Statements for the financial year ended June 30, 2023

Notes to the Financial Statements (Continued)

10. Prior Year adjustments

	Balance b/f 2021/2022 fy (audited financial statements)	Adjustments	Adjusted balance b/f 2021/2022 fy
Description of the error	Kshs	Kshs	Kshs
Bank account Balances	-	-	-
Cash in hand			
Imprests and advances			
Deposits and retentions			
Others (<i>specify</i>)			
Total	-	-	-

11. Changes in Imprests and Advances

Description	2022/2023	2021/2022
	Kshs	Kshs
Opening Receivables as at 1 st July 2023		
Closing account receivables as at 30 th June 2023		
Change in Imprests and advances	-	-

12. Changes in Accounts Deposits and Retention

Description	2022/2023	2021/2022
	Kshs	Kshs
Deposit and Retentions as at 1 st July 2023		
Closing accounts payables as at 30 th June 2023		
Changes in deposit and retention	-	-

*Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance,
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Annual Report and Financial Statements for the financial year ended June 30, 2023*

Other Important Disclosures

1. Pending Accounts Payable (See Annex 4a)

	Balance b/f from Comparative 2021/2022 FY	Additions for the year	Paid during the year	Balance c/f For Current 2022/2023 FY
Description	Kshs	Kshs	Kshs	Kshs
Construction of buildings				
Construction of civil works				
Supply of goods	326,198.50	-	40,000.00	286,198.50
Supply of services	-	-	-	-
Total	326,198.50	-	40,000.00	286,198.50

2. Pending Staff Payables (See Annex 4b)

	Balance b/f from 2021/2022	Additions for the year	Paid during the year	Balance c/f for 2022/2023
Description	Kshs	Kshs	Kshs	Kshs
Senior management	-	-	-	-
Middle management	13,572,000	-	-	13,572,000
Union employees	-	-	-	-
Others - Gratuity	-	-	-	-
Total	13,572,000	-	-	13,572,000

3. Other Pending Payables (See Annex 4c)

	Balance b/f from 2021/2022 FY	Additions for the year	Paid during the year	Balance c/f for 2022/2023 FY
Description	Kshs	Kshs	Kshs	Kshs
Amounts due to National Government entities				
Amounts due to County Government entities				
Amounts due to third parties				
Total	-		-	-

*Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance,
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Other Important Disclosures (Continued)

4. External Assistance

	2022/2023	2021/2022
Description	Kshs	Kshs
External assistance received as grants	-	-
External assistance received as loans	-	-
External assistance received in kind- as payment by third parties	-	-
Total	-	-

a). External assistance relating loans and grants

	2022/2023	2021/2022
Description	Kshs	Kshs
External assistance received as loans	-	-
External assistance received as grants	-	-
Total	-	-

b) Undrawn external assistance

	Purpose for which the undrawn external assistance may be used	2022/2023	2021/2022
Description		Kshs	Kshs
Undrawn external assistance - loans		-	-
Undrawn external assistance - grants		-	-
Total		-	-

13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1013.	Unauthorized Expenditure and Sustainability of Phase III of the Project As reported in the previous year, under the statement of receipts and payments, the project received Kshs. 10,000,000 being Government of Kenya Counterpart funding. The International Development Agency (IDA) vide letter dated 2 October, 2019 addressed to the National Treasury and the Ministry of Environment and Forestry had communicated its decision to stop the project activities and funding as it reviews its regional integration strategy in Sub-Saharan Africa. In addition, most of the reported project's expenditure related to domestic and travel allowances totaling to Kshs. 3,240,064, printing, advertisement and other information supplies expenditure of Kshs. 1,206,452, other operating expenses amounting to Kshs.	Since the cancellation of the Project by The World Bank in October 2019, the Ministry of Environment embarked on realigning the Project concept Note (PCN) for a National Project. The Project concept Note (PCN) was realigned and a Cabinet approval granted in February, 2021. Additionally, approved work plan and budget is also attached to support the expenditure on other office operating expenses.	Not resolved	Awaiting to appear before PAC at a later date.

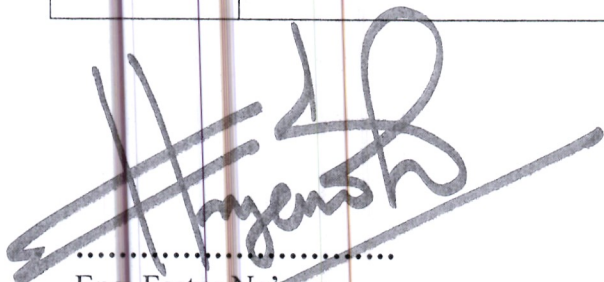
*Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance,
Project No.V1570-KE*

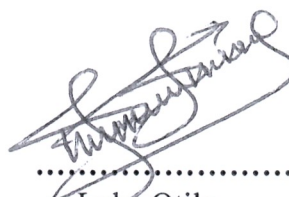
Annual Report and Financial Statements for the financial year ended June 30, 2023

Reference No. on the external audit Report	Issue / Observations, from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	1,674,756 which related to payment for security, taxes and other miscellaneous expenses. However, these expenditures were not supported by an approved annual work plan. In the circumstances, the accuracy, relevance to project's objectives and ability of the project to continue to sustain its services is doubtful.			
1014.	Pending Accounts Payables Notes 12.1 and 12.2 on other important disclosures to the financial statements reflects pending accounts payable and pending staff payables of Kshs. 326,199 and Kshs. 13,572,000 due to suppliers and staff respectively all relating to 2019/2020 and earlier years. However, management has not provided any reason for non-payment of the bills or explained how the bills are to be cleared given that the project is no longer funded by the Donor. Failure to settle the bills during the year to which they relate distorts the financial	The pending bills have been reviewed by the internal Audit at the Ministry Headquarters with a view to ascertain the authenticity prior to payment. The pending staff payables and other supplies will be settled fully once we get funds from The National Treasury.	Not resolved	Awaiting to appear before PAC at a later date.

**Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance,
Project No.V1570-KE
Annual Report and Financial Statements for the financial year ended June 30, 2023**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	statements and adversely affects the budgetary provisions for the subsequent year which they form a first charge.			


.....
Eng. Festus Ng'eno
Principal Secretary


.....
Luke Otila
Project Coordinator

*Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-KE
Annual Report and Financial Statements for the financial year ended June 30, 2023*

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

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance (below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities	-	-	-	-	-
Proceeds from domestic and foreign grants	5,000,000.00	5,000,000.00	-	100%	-
Proceeds from borrowings	-	-	-	-	
Miscellaneous receipts	-	-	-	-	
Total Receipts	5,000,000.00	5,000,000.00	-	100%	-
Payments					
Compensation of employees	-				
Purchase of goods and services	5,000,000.00	6,065,185.90	(1,065,185.90)	121.3%	The initial budget for 2022/2023 fy was Kshs10,000,000. However, the project had already spent more than Kshs. 5,000,000 by the time the supplementary budget was effected in April, 2023.
Social security benefits	-	-	-	-	
Acquisition of non-financial assets	-	-	-	-	
Transfers to other government entities	-	-	-	-	
Total payments	5,000,000.00	6,065,185.90	(1,065,185.90)	121.5%	

*Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-KE
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Annex 3: 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 Climate Change				
a.	Government Counterpart funding			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
1	GOK Funds	30/06/2023	2,500,000	2022/2023 FY
2	GOK Funds	30/06/2023	2,500,000	
		Total	5,000,000	2022/2023 FY
B.	Direct payments			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
			-	
		Total	-	
C.	Others			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
			-	
		Total	-	
		Total (A+B+C)	5,000,000	

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

Project Coordinator
LVEMP Project

Head of Accounting Unit
State Department of Environment & Climate Change

Sign

Sign

*Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-KE
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Annex 4a: Analysis of Pending Bills

Supplier of Goods or Services	Date Contracted/ invoiced.	Original Amount	Amount Paid To-Date	Outstanding Balance Current FY	Outstanding Balance Previous FY	Comments
Supply of goods		a	b	c=a-b		
1. DT Dobbie 2. Micron Trading Ltd	-	198,398.50 87,800.00	- -	198,398.50 87,800.00	198,398.50 87,800.00	The original supporting documents were not availed for payment during the financial year 2022/2023.
Sub-Total	-	286,198.50	-	286,198.50	286,198.50	
Construction of civil works						
3.						
4.						
Sub-Total						
5.						
Sub-Total						
Supply of services						
6.						
7.						
Sub-Total						
Grand Total	-	286,198.50	-	286,198.50	286,198.50	

*Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-KE
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Annex 4b: Analysis of Pending: Staff Bills

Name of Staff	Job Group	Date Payable Contracted	Original Amount	Amount Paid To-Date	Outstanding Balance Current FY	Outstanding Balance Previous FY	Comments
Permanent Employees - Management							
1. 1 August, 2017 = 3,885,000							
2. June, 2018 = 4,879,000							
3. January, 2019 = 2,912,000							
4. January, 2020 = 2,856,000			14,532,000	960,000	13,572,000	14,532,000	Still outstanding the allocation of funds to settle the bills.
Total 14,532,000							
Sub-Total			14,532,000	960,000	13,572,000	14,532,000	
Permanent Employees - Others							
5.							
6.							
Sub-Total							
Temporary employees							
7.							
8.							
Sub-Total							
Others (specify)							
9.							
10.							
Sub-Total							
Grand Total			14,532,000	960,000	13,572,000	14,532,000	

*Lake Victoria Environmental Management Project Phase III (LVEMP III) Project Preparatory Advance, Project No.V1570-KE
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Annex 4c: Analysis of other Pending Payables

Name	Brief Description	Date Payable Contracted	Original Amount	Amount Paid To-Date	Outstanding Balance Current FY	Outstanding Balance Previous FY	Comments
Amounts due to National Govt Entities							
1.							
2.							
Sub-Total							
Amounts due to County Govt Entities							
3.							
4.							
Sub-Total							
Amounts due to Third Parties							
5.							
6.							
Sub-Total							
Others (<i>specify</i>)							
7.							
8.							
Sub-Total							
Grand Total							

Annex 5: Summary of Fixed Assets Register

Asset class	Opening Cost (KShs) 2022/2023	Donations in form of assets (KShs) 2022/2023	* Purchases/ Additions in the Year (KShs) 2022/2023	** Disposals in the Year (KShs) 2022/2023	Transfers in/(out) 2022/2023	Closing Cost 2022/2023 (e)=(a)+(b)+c)- (d)+(-)d
	(a)	(b)	(c)	(d)	(d)	(e)=(a)+(b)+c)- (d)+(-)d
Land	-	-	-	-	-	-
Buildings and structures	31,471,774	-	-	-	-	31,471,774
Transport equipment	135,495,536	-	-	-	-	135,495,536
Office equipment, furniture and fittings	36,223,756	-	-	-	-	36,223,756
ICT Equipment,	-	-	-	-	-	-
Other Machinery and Equipment	-	-	-	-	-	-
Heritage and cultural assets	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-
Infrastructure assets roads, rails	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Work in Progress	-	-	-	-	-	-
Total	203,191,066	-	-	-	-	203,191,066

Annex 6: Other Support Documents

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

MINISTRY OF ENVIRONMENT, CLIMATE CHANGE AND FORESTRY

LAKE VICTORIA ENVIRONMENTAL MANAGEMENT PROJECT (LVEMP III)

BANK RECONCILIATION STATEMENT AS AT 30TH JUNE, 2023

STANDARD CHARTERED BANK (ACCOUNT No.0108093570904)

DESCRIPTION	AMOUNT (KSH)
Balance as per Bank Certificate	
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	4,981,140.00
3) Add: Payments in Bank Statement not yet recorded in Cash Book	
4) Add: Receipts in Cash Book not yet recorded in Bank statement	5,000,000.00
Balance as per Cash Book	18,860.00
Difference	

1. PAYMENTS IN CASH BOOK NOT YET RECORDED IN BANK STATEMENT (UNPRESENTED)			2. RECEIPTS IN BANK STATEMENT NOT YET RECORDED IN CASH BOOK		
NO.	DATE	PAYEE	AMOUNT (KSH)	DATE	PAYEE
1	30/6/2023	James Kweyu	100,000.00	13/7/23	
2	30/6/2023	National Project Co-ordinator	1,357,600.00	18/7/23	
3	30/6/2023	National Project Co-ordinator	195,300.00	Debit in different dates	
4	30/6/2023	Florence Nyangau	33,600.00		
5	30/6/2023	John Saranga	33,600.00	18/7/23	
6	30/6/2023	John Saranga	12,000.00	18/7/23	
7	30/6/2023	Elisha Nduga	33,600.00	18/7/23	
8	30/6/2023	Richard Ong'aa	18,900.00	19/7/23	
9	30/6/2023	Evelyn Mwili	14,000.00	18/7/23	
10	30/6/2023	Wigot Gardens Hotel Ltd	38,524.00	18/7/23	
11	30/6/2023	Commissioner of VAT	676.00	18/7/23	
12	30/6/2023	Golf Hotel Ltd	142,303.00	18/7/23	
13	30/6/2023	Commissioner of VAT	2,497.00	18/7/23	
14	30/6/2023	Riley Falcon Security Services Ltd	377,674.00	19/7/23	
15	30/6/2023	Commissioner of VAT	6,626.00	18/7/23	
16	30/6/2023	Enock Maticha	84,400.00	18/7/23	
17	30/6/2023	Luke Otila	84,400.00	18/7/23	
18	30/6/2023	Jasel Enterprises Ltd	99,640.00	18/7/23	
19	30/6/2023	National Project Co-ordinator	622,800.00	Debit in different dates	
20	30/6/2023	Evelyn Mwili	34,400.00		
21	30/6/2023	Enock Maticha	10,000.00	19/7/23	
22	30/6/2023	Florence Nyangau	12,800.00	19/7/23	
23	30/6/2023	Wigot Gardens Hotel Ltd	5,600.00	19/7/23	
24	30/6/2023	Luke Otila	30,000.00	20/7/23	
25	30/6/2023	Florence Nyangau	3,000.00	19/7/23	
26	30/6/2023	National Project Co-ordinator	274,400.00	Debit in different dates	
27	30/6/2023	Geoplan Associates	373,448.00		
28	30/6/2023	Commissioner of VAT	6,552.00	23/8/23	
29	30/6/2023	National Project Co-ordinator	189,600.00	23/8/23	

30	30/6/2023	Enock Maticha	33,600.00	15/8/23		
31	30/6/2023	Luke Otla	60,000.00	15/8/23		
32	30/6/2023	Enock Maticha	48,800.00	15/8/23		
33	30/6/2023	Build Ventures Enterprises	629,751.00	17/8/23		
34	30/6/2023	Commissioner of VAT	11,049.00	23/8/23		
TOTALS			4,981,140.00			
3. PAYMENTS IN BANK STATEMENT NOT YET RECORDED IN CASH BOOK						
NO.	DATE	PAYEE	AMOUNT (KSH)	DATE	DESCRIPTION	AMOUNT (KSH)
1			-	30/6/2023	Exchequer receipts	2,500,000.00
2			-	30/6/2023	Exchequer receipts	2,500,000.00
TOTALS			-	TOTALS		5,000,000.00
4. RECEIPTS IN CASH BOOK NOT YET RECORDED IN BANK STATEMENT						

Prepared by:

Enock Maticha

Signature

Designation

Date

Accountant 15/08/23

Supervisor:

[Signature]

Signature

Designation

Date

Manager 15/08/23

REPUBLIC OF KENYA
GOK

Date: 3RD JULY, 2023

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 3RD JULY, 2023

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

Assembled at the office of ACCOUNTS ASSISTANT

At 3.30 PM (time) on the 3RD JULY, 2023

And the following cash was produced:-

Notes

Sh. 0.00

Silver

Sh. 0.00

ALL Cheques (as per details on Reverse). TOTAL: Sh. 0.00

It was observed that cheques amounting to Sh.cts.

Had been on hand for more than 14 days prior to the date of the survey.

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

The Cash Book reflected the following balances as at the close of business on 30TH JUNE, 2023

the

Cash on hand Sh. 0.00

Cash Book balance

Sh. 18,860.00

The Bank Certificate of Balance showed a sum of Sh. 0.00
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 Bank reconciliation Statement (F.O.30) attached.

Date

3RD JULY, 2023

Chairman

Members of the Board

