

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 27 FEB 2024

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OF

THE AUDITOR-GENERAL

ON

NATIONAL ENVIRONMENT
TRUST FUND

FOR THE YEAR ENDED
30 JUNE, 2023



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
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NETFUND
Leading the way to a greener future

NATIONAL ENVIRONMENT TRUST FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2023

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

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1 Acronyms, Abbreviations and Glossary of Terms

A: Acronyms and Abbreviations

CEO	Chief Executive Officer
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
WB	World Bank

2 Key Entity Information and Management

(a) Background information

The National Environment Trust Fund (NETFUND) was established by the Environmental Management and Coordination Act (EMCA) 1999, Section 24 “to facilitate research intended to further the requirements of environmental management; capacity building; environmental awards; environmental publications; scholarships; and grants”. A subsequent amendment to EMCA section in June 2015 enabled the organisation to become a State Corporation.

(b) Principal Activities

The Fund’s principal activity is to mobilize funds from any legitimate source that will facilitate research intended to further the requirements of environmental management, capacity building, environmental awards, environmental publications, scholarships, and grants

(c) Key Management

The *Entity’s* day-to-day management is under the following key organs.

No.	Designation	Name
1.	Board of Trustees	❖ Board Chair-Hon. David Mwaure Waihiga ❖ Dr. Pacifica Ogola ❖ Ms. Linnet Vitisia
2.	CEO /Accounting officer	Mr. Samson Toniok
3.	Director Resource Mobilisation and Business Development	Dr. James Njagu
4.	Head of Finance	Mr. Evans Kiprotich
5.	Head of Procurement	Ms. Evelyn Nthini
6.	Projects Manager	Mr. Andrew Machora
7.	Research Manager	Mr. Michael Okok
8.	Resource Mobilization Manager	Mr. Chrispine Omondi
9.	Human Resource and Administration Manager	Ms. Annunciater Muoti
10.	Strategy and Planning Manager	Mr. Joshua Anampiu

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	CEO	Mr. Samson Toniok
2.	Director Resource Mobilisation and Business Development	Dr. James Njagu
3.	Head of Finance	Mr. Evans Kiprotich
4.	Head of Procurement	Ms. Evelyn Nthini
5.	Projects Manager	Mr. Andrew Machora
6.	Research Manager	Mr. Michael Okok

Key Entity Information and Management

(e) Fiduciary Oversight Arrangements

The Fund has established the following Board of Trustees sub-committees for fiduciary oversight:

(f) Finance, HR & Procurement

The purpose of this committee is to provide oversight for the organisation in the areas of financial management, human resource, and procurement.

(g) Governance Risk and compliance

This committee provides oversight in the areas of governance risk and compliance. It has the responsibility of ensuring compliance with statutory requirements, identification classification and implementation of risk mitigation measures for the Fund Board Audit Committee. The Board audit committee has the responsibility of reviewing the Fund's financial statements and disclosure matters, risk management procedures and to ensure the effectiveness of internal control system in addition to supervision of the Internal and external Auditors.

(h) Programmes, Resource Mobilisation and Communications

The Board committee oversees implementation of programmes and Resource mobilization initiatives which form the core mandate of NETFUND. The committee is also responsible for enhancement of the brand recognition through effective communication.

(i) Entity Headquarters

P.O. Box 19324-00202
National Water Plaza, First Floor,
Dunga Road, Industrial Area
Nairobi, KENYA

(j) Entity Contacts

Telephone: (+254) 020-2369563
E-mail : info@netfund.go.ke
Website: www.netfund.go.ke

(k) Entity Bankers

1. Central Bank of Kenya

Haile Selassie Avenue
P.O. Box 60000
City Square 00200
NAIROBI, KENYA

2. Other Banks

Kenya Commercial Bank Ltd
Upper Hill Branch
P.O. Box 69695-00400
City Square 00200
Nairobi Kenya



(l) Independent Auditor

Auditor-General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

(m) Principal Legal Adviser

The Attorney General
State Law Office and Department of Justice
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

3 The Board of Trustees

Board Member	Details
 <p data-bbox="244 947 647 1055">Hon. David Mwaure Waihiga Chair- NETFUND Board of Trustees</p>	<p data-bbox="715 389 1469 618">Hon. David Mwaure Waihiga was born on 22nd July, 1957. He is an advocate of the High Court of Kenya and current managing partner at Mwaure & Mwaure Waihiga Advocates. He is a certified public secretary, a professional arbitrator and a mediator with over thirty-five (35) years' experience.</p> <p data-bbox="715 629 1469 815">The senior corporate lawyer and thought leader, who has sat and chaired in many boards of organizations, holds a master's degree in leadership from International Leadership University and a Bachelor of Laws Degree from the University of Nairobi.</p> <p data-bbox="715 826 1469 938">Hon. Mwaure is a member of the Law Society of Kenya, East Africa Law Society, International Institute of Certified Secretaries, among others.</p>
 <p data-bbox="244 1630 619 1805">Dr. Pacifica Ogola Representative of the Principal Secretary in the Ministry of Environment and Forestry.</p>	<p data-bbox="715 1068 1469 1865">Dr Pacifica F. Achieng Ogola was born on the 11th of March 1970. She has over 20 years' experience in Energy, Environment and Climate Change in various capacities. She is currently the Director and Head of Climate Change Directorate at the Ministry of Environment, Climate Change and Forestry and National Focal Point to the United Nations Framework Convention for Climate Change (UNFCCC). Dr. Ogola holds a Doctor of Philosophy (PhD) in Environmental Science (Environment and Natural Resources) from the School of Engineering and Earth Sciences, University of Iceland in Geothermal Energy; master's degree in environmental science (Natural Resource Management) from Kenyatta University, and a bachelor's degree from Kenyatta University, Geography Major. She also holds a Diploma in International Environmental Law from the United Nations Institute for Training and Research (UNITAR); a Diploma in Environmental Studies in Geothermal Development from the United Nations University-Geothermal Training Program (UNU-GTP) in Iceland, and a Diploma in Environmental Management from Galilee College, Israel. programmes and communications committee of NETFUND.</p>



Ms. Linnet Vitisia Representative of the Principal Secretary-National Treasury to the Board of Trustees.

Ms. Linnet M. Vitisia was born on the 8th of December, 1971. She holds a Master of Business Administration Degree and is a Certified Public Accountant and a Certified Investment and Financial analyst. She has with over 25 years' experience in Public Service in areas of accounting, budgeting and finance. Linnet has served as a Financial Attaché at the Kenya Embassies in Belgium and Sweden. She is currently the Assistant Accountant General and the Head of Disbursement Unit at the Resource Mobilization Department of the Public Debt Management Office, National Treasury. She serves in the Audit Committee of NETFUND.



Mr. Samson Toniok Chief Executive Officer and Accounting Officer and Secretary to the Board

Samson Lekokoo Toniok, is an accomplished results driven leader keen on developing those he leads to accomplish common goals. He has more than ten years of progressive experience in Finance and accounting in the public sector. He has served as Finance Director in NETFUND prior to his appointment as the Chief Executive Officer. Samson has Master of Science Degree in Finance and a BCom (Second Class Honours). He is a CPA (K), ISA with expertise in developing and implementing financial controls, financial reporting, IFRS, IPSAS, budgeting, Taxation, Project accounting and financial management. He possesses solid leadership, communication, and interpersonal skills to establish rapport with all levels of staff and management.

4 Key Management Team

Name	Responsibility
1. Samson Toniok	Chief Executive Officer
2. Dr. James Njagu	Director, Resource Mobilisation and Business Development
3. Andrew Machora	Projects Manager
4. Michael Okok	Research Manager
5. Chrispine Omondi	Resource Mobilization Manager
6. Evans Kiprotich	Finance Manager
7. Joshua Anampiu	Planning and Strategy Manager
8. Annunciater Muoti	Human Resource and Administration Manager
9. Evelyn Nthini	Supply Chain Manager
10. Beatrice Wamuyu	Head of Internal Audit
11. Hassan Sheikh	Communications Manager

5 Chairman's Statement

I am delighted to present the Financial Statements for NETFUND, along with a comprehensive review of our key operational milestones over the past fiscal year.

Globally, the International economy faced significant challenges, primarily stemming from the Russia-Ukraine conflict. This ongoing conflict disrupted supply chains, leading to cost-of-living crises in many developed economies. As a result, the global economy was projected to decelerate, with a growth rate expected to drop from 6.1 percent in 2021 to 3.2 percent in 2022.

The impact of climate change in the East African region culminated in a severe drought which not only aggravated the inflationary pressures but also subjected millions of homesteads to severe food insecurity, loss of lives, livelihoods and loss of livestock. The drought equally resulted in ecosystem degradation.

In order to ease the burden to Kenyans, the Government embarked on immediate interventions that included agricultural subsidies and duty waivers. To mitigate the effects of climate change, the Government has also rolled out an ambitious target of attaining 30% tree cover by 2032.

Despite these international pressures, the Kenyan economy has displayed remarkable resilience. It weathered external shocks, including a surge in fuel prices following the removal of fuel subsidies. In response, overall inflation reached a peak of 9.4% in the fourth quarter but gradually eased to 8.52%. This prompted the Central Bank Monetary Policy Committee to raise the Central Bank Rate (CBR) to 10.5%, leading to an increase in the cost of credit in the economy. The spike in fuel prices had a cascading effect on the cost of living.

On the political front, Kenya successfully navigated the 2022 elections with relative peace. Subsequent street protests in July 2023, led by the opposition party, have also gradually subsided. Encouragingly, a recent Stanbic Bank Purchasing Managers' Index indicates that economic activity and employment have surged at the fastest pace since 2020. This resurgence is attributed to improving customer demand and healthier cash flow as economic conditions continued to recover from pandemic-related measures. However, it's worth noting that the Kenyan Shilling has depreciated against the dollar due to the strengthening of the greenback after the United States raised interest rates. Efforts are underway to manage the rising cost of living in the country.

Historically, the environment sector has received only about 6% of the total national budget due to competing priorities such as external debt repayment. Subsequently there was need to strategize on resource mobilisation to bridge the funding gap. NETFUND made concerted efforts towards addressing the huge resource gap. This was achieved through engagement of various strategic partners including; multi-lateral and bilateral development partners.

The organization supported community conservation groups, county governments and sector agencies to undertake restoration activities in Cherangany, Mau, Mt. Kenya and Kakamega Forest Ecosystems whereby more than 1,850,000 tree seedlings were planted and grown. This also resulted in significant rehabilitation of the landscape.

In recognition of its outstanding support of green enterprises which contribute to abatement of Green House emissions, NETFUND won the prestigious Partnerships for Growth (P4G) award. The award was presented to NETFUND during COP 27 in Egypt.

Additionally, NETFUND through its partnerships in resource mobilization is contributing to Kenya's NDC commitment to reduce Green House Gas emissions by 32% compared to Business as Usual (BAU). We have successfully established strategic partnerships with international organizations, including the World Bank, the Italian Development Corporation, and CAFÉ, among others.

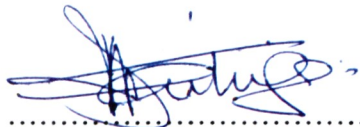
In the coming year, the organisation will be expected to buttress its position as the resource mobilization Agency in the sector and coordinate the sector agencies in robust resource mobilization for the sector.

Appreciation

I would like to express our gratitude to the Government of Kenya, the Ministry of Environment, Climate Change, and Forestry, our development partners, sector agencies and stakeholders for their unwavering support. This support has been instrumental during the unprecedented economic challenges on the global stage and has ensured the sustainability of our organization's services to the people of Kenya.

I also extend my heartfelt thanks to my fellow trustees for their dedication in steering the Board and enhancing our organization's brand recognition, a critical aspect of successful fundraising. Lastly, I want to acknowledge and appreciate the tireless efforts of our management team and staff, whose collaboration and dedication have played a pivotal role in NETFUND's current achievements.

God bless you all.



.....
Hon. David Mwaure Waihiga
Chair Board of Trustees

6 Report of the Chief Executive Officer

I am pleased to provide you with an overview of NETFUND's performance for the fiscal year 2022-2023. This past year has posed significant challenges as we focused on economic recovery in the aftermath of the COVID-19 pandemic, alongside external shocks that impacted our economy.

One of the notable external factors was the interest rate hikes by the American Government, leading to a global strengthening of the dollar. Domestically, this resulted in the unprecedented weakening of the Kenyan Shilling. Additionally, we experienced a surge in energy costs, particularly in fuel prices, which had a ripple effect throughout the economy, further exacerbating the cost of living for Kenyan citizens and operational costs for businesses.

Several macroeconomic indicators also showed signs of deterioration. Inflation, for instance, peaked at a high of 9.4% before stabilizing at 6.73% in the current year. In response to these economic challenges, the Central Bank of Kenya raised the base Central Bank Rate (CBR) to 10.5%, leading to an increase in the cost of credit within the Kenyan economy.

Despite these formidable hurdles, NETFUND remained steadfast in fulfilling its role in fundraising. During the year under review NETFUND engaged strategic development partners and obtained approved proposals aggregating Ksh.800 million. We also have proposals totalling Ksh. 35.8 billion at an advanced approval stage. The full benefit of these efforts will be realized in the coming years.

In summary, our report reflects a challenging year characterized by external shocks and economic turbulence. However, NETFUND's dedication to its mission enabled us to achieve significant fundraising milestones, contributing to the vital cause of environmental management in our country.

Financial Performance

During the past year, several notable financial developments took place, are outlined below.

Firstly, there was a decline in the Government Grant of about 20% mainly due to the decrease in development funding from the Government. The recurrent grant declined by about 7.3million which is about 4.5% while the development grant decreased by 44.6million or 49.8 % mainly attributable to competing Government priorities and especially the escalated external debt servicing.

Notable expenses were an increase in the employee costs by about 19.7% attributable to payment of gratuity which fell due during the year for staff whose contracts lapsed. There was also a significant increase in employer pension contribution by about 3million for staff who transitioned to permanent and pensionable terms.

Additionally, there was an increase of 41% in the cost of repairs and maintenance costs attributable to increased project activities and the acquisition of a motor vehicle in the reporting period.

Throughout this period, NETFUND remained dedicated to engaging with the National Treasury to secure increased recurrent and development funding. Concurrently, efforts were actively made to mobilize resources from development partners.

NETFUND is committed to effective financial management, prudent resource allocation, and strategic engagement with both government entities and development partners to support our

mission and objectives. The Fund continues to invest in human capital development through on the job training and capacity development initiatives. NETFUND has also invested in improving its business processes through acquisition of an Enterprise Resource Planning (ERP) system and upgrade in the ICT systems to enhance efficiency.

7 Performance Review

During the year under review, NETFUND implemented projects aligned to the key global and National environmental challenges which are categorised below:

Ecosystem degradation:

Ecosystem degradation often leads to a cascade of negative consequences, including the loss of biodiversity, reduced ecosystem services (such as clean air and water, pollination, and climate regulation), and increased vulnerability to natural disasters. NETFUND undertook environmental protection, restoration and rehabilitation of Iloro-20ha, Enosopukia 17, Kaptagat 317ha.



Climate Change adaptation and mitigation



Through the FLARAK project NETFUND distributed 150 beehives in Kaptagat and 250 beehives in Suswa Magadi to community groups majorly comprising of vulnerable groups with the community. This will enable the community members to set up apiaries for alternative sources of livelihood and will obviate the need to overexploit forest resources. NETFUND also supported community forest associations to establish tree nurseries in Kakamega. The groups raised 500,000 indigenous tree seedlings which contribute towards National tree growing initiative.

Environmental Protection

Under this thematic area, NETFUND implemented the FLARAK project which had a component on fencing of Kakamega and Enosupukia forests. Through the project, a total of 15Km electric fence was constructed in Kakamega and 16ha of degraded land was fenced within the Enosopukia Forest. These actions protect the forests from encroachment and allows for natural regeneration through controlled access of their resources.



Strategic Partnerships

During the period under review NETFUND forged strategic partnerships to support development of proposals, ecosystem restoration and rehabilitation, climate financing and capacity building.

The Fund established new partnership with the World Bank, International Finance Corporation and fostered relationship with African Development Bank that resulted into: Investment Plan Preparation Grant Expression towards the Climate Investment Funds (CIF) on Nature, People and Climate (NPC) Investment Program, and designing of Kenya Watershed Services Improvement Programme.

Another partnership was also established with the Italian Agency for Development Cooperation to support development of the Cherangany project. The project aims to restore and sustainably manage the Cherangany forest ecosystems for climate Change resilience and improved livelihoods.

Promotion of Green Innovation

NETFUND with other partners implemented the fifth cycle of the Green innovations Award. Through this project the Fund provided business training 23 green enterprises, and awarded certificates and cash prizes to 50 green projects run by University of Nairobi Engineering Students.

Similarly NETFUND in partnership with Magiro Hydropower and Hydrobox developed and implemented a rural electrification project Murang'a and Kirinyaga Counties which supplies power to 500 household and empowers youth and women-led enterprises in the region.

This partnership was recognised by P4G State of the Art global 2023 winner at COP27, Egypt. To enhance financial sustainability, NETFUND received financing from the French Facility for Global Environment to undertake a feasibility study to inform establishment of a hybrid financing mechanism, the Green Enterprise Financing Mechanism (GEFiM).

The mechanism will provide appropriate financial products for green enterprises at different phases: start-up phase, businesses will access investment matching grants; at growth phase, businesses will secure concessional loans and guarantees; and at commercialization phase, businesses will benefit from a mix of concessional loans and equity investment.

Performance Contracting

NETFUND negotiated the Performance contracting targets with the Cabinet Secretary, Ministry of Environment, Climate Change and Forestry. The approved commitments were included in the annual organizational work plan and these targets were then cascaded to the individual work plans. These targets are monitored on a quarterly basis.

After evaluation of the performance contract in the previous year, NETFUND attained a 'Very Good' score of 2.958 which was a big improvement from the previous score of 3.0929.

On behalf of the NETFUND management team, staff and stakeholders, I wish to express my profound gratitude to our parent Ministry, the National Treasury, development partners, private sector partners and all friends of NETFUND for the wonderful support in the past year. We look forward to working with you to build a resilient green future.



Samson Toniok
Chief Executive Officer

8 Statement of performance against predetermined objectives for FY 2022/2023.

NETFUND has a five- year strategic plan that guides the operations of the Fund. The plan had three broad Key results areas namely: Partnerships and resource mobilization, Environment and Climate Change and Organizational capacity and four Strategic objectives:

1. To engage and nurture existing and new development partners to secure increased funding.
2. To facilitate research and publications on environment and Climate Change;
3. To build capacity of key stakeholders on climate change, environmental pollution and ecosystem rehabilitation.
4. To Strengthen internal capacity for efficient utilization of resources and effective service delivery.

NETFUND develops its annual work plans based on the above Key result areas. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The organisation achieved its performance targets set for the FY 2022/2023 period for its strategic objectives, as indicated in the table below:

Key Result Areas	Objective	Key Performance Indicators	Activities	Achievements
1. Partnerships and resource mobilization	To engage and nurture existing and new development partners to secure increased funding.	<ul style="list-style-type: none"> • Funds raised 	Raise Funds from Bilateral and Multilateral Development Partners and Foundation	<ul style="list-style-type: none"> • Engagements with over 20 major development partners and 200 private sector entities • Proposals with a value of Ksh. 35.8 billion approved and at an advanced stage of negotiation. • Approved proposals and concepts with a value of 887million
2. Environment and Climate Change	To facilitate research and publications on environment	Number of people sensitized on environment	Organize environmental conferences and publish	<ul style="list-style-type: none"> • 42 counties sensitized on air pollution

Key Result Areas	Objective	Key Performance Indicators	Activities	Achievements
	and Climate Change.	and climate change.	environmental research.	<ul style="list-style-type: none"> 58 organisations trained to access green financing.
	To build capacity of key stakeholders on climate change, environmental pollution and ecosystem rehabilitation	<ul style="list-style-type: none"> Capacity of Key stakeholder s built Number of green jobs created Number of tree seedlings up taken Number of enterprises linked with market opportuniti es. 	<ul style="list-style-type: none"> Identify and train community-based organizations , agri-business and nature-based enterprises 	<ul style="list-style-type: none"> 23 business provided business training Awarded 50 green projects 131 enterprises in forestry, nature-based supported Trained 122 participants. Uptake of 453,900 seedlings from 7 Community Forest Associations (CFAs)
	To protect and manage the environment for sustainable development	<ul style="list-style-type: none"> Number of hectares restored Number of hectares fenced Number of seedlings planted 	<ul style="list-style-type: none"> Identification of degraded forests for restoration Procurement of tree seedlings Fencing of forests 	<ul style="list-style-type: none"> 389 ha restored 40,000 high value tree seedlings distributed to 1348 farmers in Elgeyo Marakwet 18.4km of public forests fenced 225ha restored in 5 forest blocks within Kaptagat ecosystem. 317,930 tree seedlings
3. Organizational Capacity	Strengthen internal capacity for efficient utilization of	<ul style="list-style-type: none"> Automation of key processes 	<ul style="list-style-type: none"> Acquisition of ERP 	<ul style="list-style-type: none"> Implemented the resource manager for finance, procurement

Key Result Areas	Objective	Key Performance Indicators	Activities	Achievements
	resources and effective service delivery	<ul style="list-style-type: none"> • Implementation of staff benefits • EMCA amendments 	<ul style="list-style-type: none"> • Development and implementation of staff benefits • Review EMCA 1999 	and human resource functions <ul style="list-style-type: none"> • Staff transitioned to permanent and pensionable terms of employment in various cadres • EMCA amended submitted to cabinet for onward transmission to Parliament
	Expand revenue streams for financial sustainability	Funds generated	Develop and operationalise income generating activities	<ul style="list-style-type: none"> • Generated Ksh. 11 Million through the capacity building programme

9 Corporate Governance Statement

Establishment and Composition of the Board

The National Environment Trust Fund (NETFUND) was established by the Environmental Management and Coordination Act (EMCA) 1999, Revised (2015), Section 24 “to facilitate research intended to further the requirements of environmental management; capacity building; environmental awards; environmental publications; scholarships; and grants”.

EMCA makes provision for a Board of Trustees comprising of five professionals (Also includes 2 representatives from the Ministry of Environment and Forestry and the National Treasury). Currently the Board is constituted with a Board Chair and two trustees. Process of full appointment is ongoing.

Management and Governance of the Fund

NETFUND is administered by a Board of Trustees (BoT) appointed by the Cabinet Secretary of Environment, Climate Change and Forestry. The BoT is the main decision-making organ charged with, amongst other things, policy formulation, provision of advisory services, control of NETFUND funds and assets and undertaking other activities in line with the mission and vision of NETFUND.

The Role of the Board

As guided by EMCA, the State Corporations Act, Cap 446 and other relevant laws of Kenya, the Board's role is to provide effective leadership and control, in terms of approving NETFUND's strategy and ensuring best practice of corporate governance.

The Board retains full and effective control over the Fund by monitoring the implementation of Board plans and strategies, review of management accounts and major capital expenditure. It reviews processes for the identification and management of risks as well as those concerning compliance with key regulatory and legal areas.

The Board also reviews NETFUND's succession plans for the management team and endorses senior executive appointments, organizational changes, and remuneration matters. It is concerned with key elements of the governance processes which sustain the operations of the Fund, performance reporting processes as well as other disclosure requirements.

The Board meets at least once a quarter. The calendar of meetings is prepared annually in advance and detailed papers to be discussed are made available to Trustees in good time before the meeting.

Board Effectiveness

The separation of the functions of the Chairperson of the Board of Trustees and Chief Executive Officer ensures the independence of the Board from NETFUND's corporate management. There is a clear definition of the roles and responsibilities of the two offices.

The Chairperson is a non-executive trustee and is primarily responsible for providing leadership to the Board while the Chief Executive Officer is responsible for the day-to-day management of the Fund. This achieves an appropriate balance of power, increased accountability and improved capacity for decision making.

Trustees Remuneration

In accordance with guidelines provided in the State Corporations Act, the trustees are paid taxable sitting allowance for every meeting attended, as well as travel and accommodation allowances while on NETFUND's duty. The Chairman is also paid a monthly honorarium.

Statement of Compliance

The Board of Trustees confirms that National Environment Trust Fund has throughout the 2022/2023 financial year complied with all Statutory and Regulatory requirements and that NETFUND has been managed in accordance with the requisite principles of Corporate Governance.

Internal Control and Risk Management

Internal Control

The Trustees are responsible for reviewing the effectiveness of the Fund's system of internal control, which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposal and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

Standing Instructions

The Fund has a Code of Ethics and Service Charter that is applicable to all employees. These are among a number of Standing Instructions to employees of the fund designed to enhance internal control. The Fund has also designed additional set of standing instructions to be followed in the management of various functions in the organization.

Organization Structure

A clear organizational structure exists, detailing lines of authority and control responsibilities. The professionalism and competence of staff is maintained both through rigorous recruitment policies and a performance appraisal system which establishes targets, reinforces accountability and awareness of controls, and identifies appropriate training requirements. Training plans are prepared and implemented to ensure that staff develop and maintain the required skills to fulfil their responsibilities, and that the Fund can meet its future management requirements.

Strategic Plan

The business of the fund is determined by the Strategic Plan. The Strategic Plan sets out the objectives of the fund, and the annual targets to be met to attain those objectives. The Strategic Plan is evaluated annually to assess the achievement of those objectives. On an annual basis, NETFUND's Board of Trustees approves the work plan supported by the financial plan for the year. Progress in achieving the set objectives in the plan is monitored on a quarterly basis.

Internal Control Framework

The Fund continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an ongoing basis. A risk-based audit plan, which provides assurance over key business processes and operational and financial risks facing the Fund, is approved by the Board.

The Board considers significant control matters raised by management and both the internal and external auditors. Where weaknesses are identified, the Board ensures that management takes appropriate action. No significant failings or weaknesses were identified during 2022/2023.

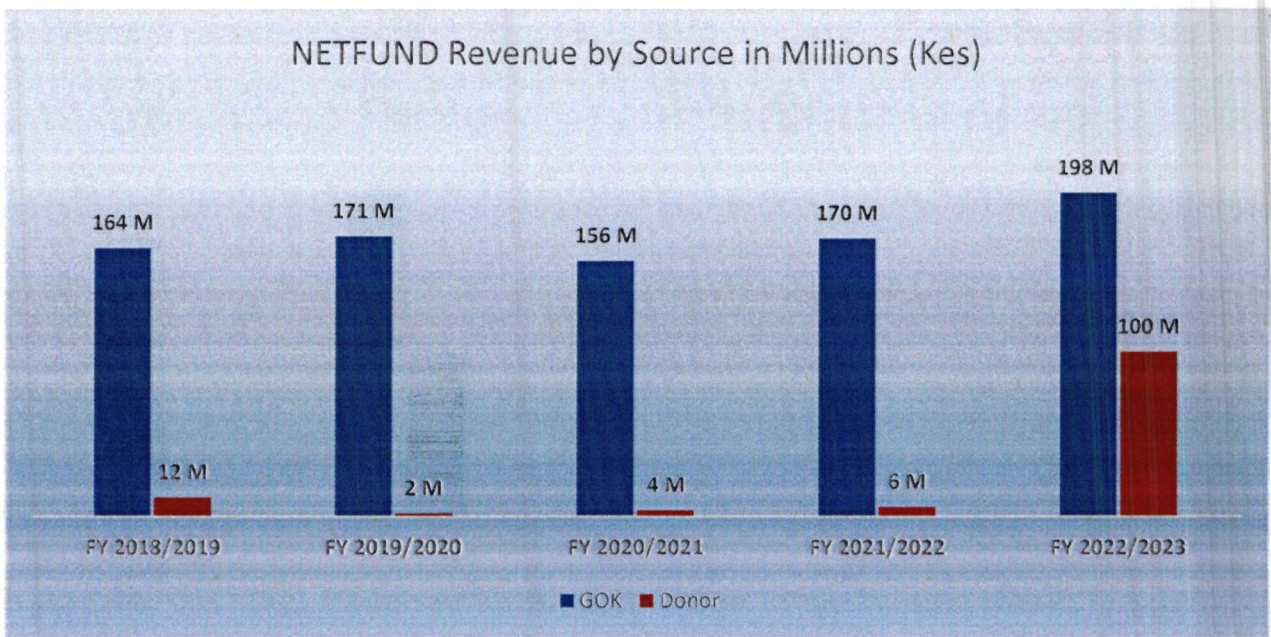
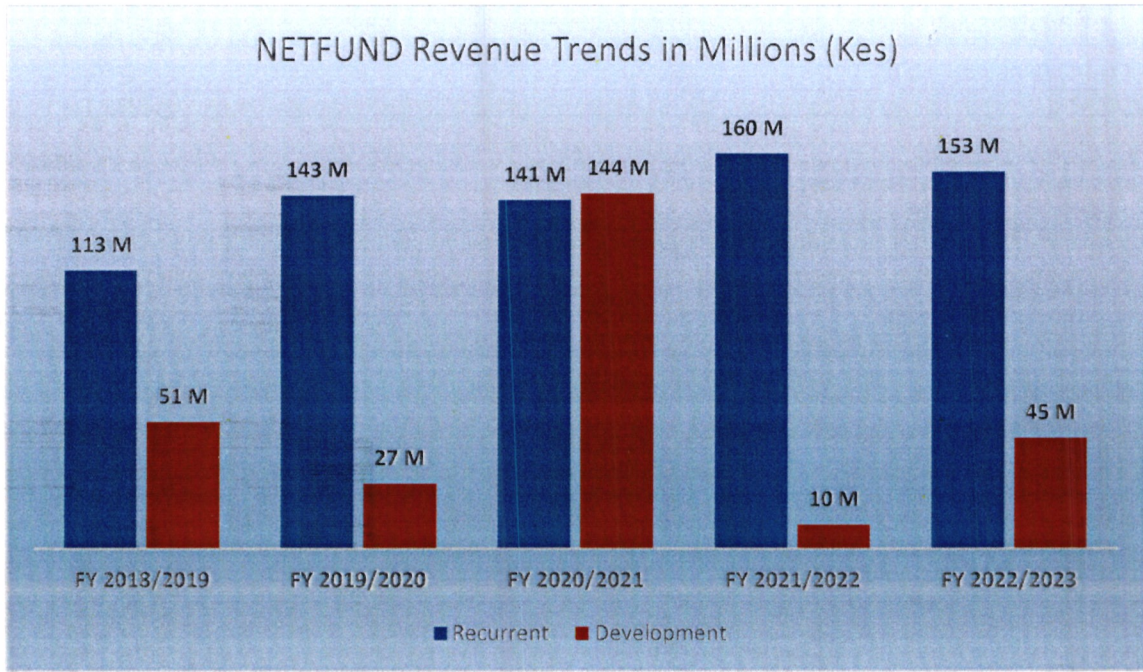
10 Management Discussion and Analysis

Financial performance

During the past year, several notable financial developments took place. Firstly, there was a decline in the Government Grant of about 20% mainly due to the decrease in development funding from the Government. The budget cut was due competing priorities for the meagre funds such as debt repayment.

There were significant deviations from the financial figures of the 2021/2022 fiscal year. Notably, there was an 80% reduction in Board expenses. This decrease was primarily because NETFUND did not have a Board of Trustees until the appointment of Board members on April 20, 2023, which included the Board Chair and the representatives from the National Treasury and the Ministry of Environment, Climate Change and Forestry.

The economy faced significant challenges, primarily stemming from high inflation. This led to an increase in the cost of living notably the cost of fuel, motor vehicle maintenance and other operational costs. Even though NETFUND maintained prudent financial management practices, resulting to manageable expenses, there was a slight increase in expenses by 11%.



Key projects

During the financial year, NETFUND implemented three projects namely:

Forest and land Restoration Action for Kenya NDC (FLaRAK), Green Enterprise Financing Mechanism (GEFiM) and the Green Innovation Challenge.

The FLARAK project was implemented in three ecosystems: Kaptatgat, Suswa Magadi and Kakamega. The project rehabilitated the ecosystems through fencing for ecosystem protection, supported community groups to establish tree nurseries, apiaries and production of traditional medicines from the forest.

NETFUND developed the Green Enterprise Financing Mechanism (GEFiM) which is a hybrid innovative financing mechanism that will leverage on public financing to attract private sector investment. As a hybrid mechanism GEFiM will provide customized financial products such as matched investment grants, concessional loans backed by guarantees and technical assistance to green enterprises at different phases that is start-up, growth and commercialization. The Fund is actively engaging the development partners and the private sector to capitalize the mechanism.

The Fund partnered with KCIC Consulting Limited, Standard Group and Worldwide Fund for Nature to implement the Green Innovations Award. The project recognised and awarded 23 green enterprises that demonstrated best practices in environmental management. This is an annual flagship programme of NETFUND that promotes green growth and addresses the impacts of climate change through efforts that contribute to a low carbon and climate resilient.

Compliance with statutory requirements

NETFUND complied with all the statutory requirements such as the the tax laws, Human Resource, finance and procurement, EMCA 1999 among other relevant laws. and submitted all the statutory deductions and reports y the set deadlines.

Major risks

The Fund phased various risks during the year such as the budget cuts from the GoK development and recurrent allocation as government prioritised debt payment and health issues as opposed to the environmental management. Donor priorities changed as they focused more on health due to the COVID 19 pandemic. Climate change affected the Fund's efforts in ecosystem restoration as this affected the tree growing program.

Material arrears

During the year under review, there were no major material arrears, all the statutory deduction payments and were made within the set timelines.

Review of the economy

The Global economy faced significant challenges, primarily stemming from the Russia-Ukraine conflict which elevated inflationary pressures worldwide. This led to inflationary pressure in Kenya which in addition to the severe drought experienced in the Country and the lingering effects of the COVID 19 pandemic exacerbated the high cost of living leading to an increase in operational cost for organizations.

Review of the sector

Historically, the environment sector has received only about 6% of the total national budget due to competing priorities such as repayment of external debts. Subsequently there was need to strategize on resource mobilisation to bridge the funding gap. NETFUND made concerted

efforts towards addressing the huge resource gap. This was achieved through engagement of various strategic partners including; multi-lateral and bilateral development partners and the private sector.

Future developments

The awaited approval of EMCA 1999 amendments will create an enabling framework for an expanded space for NETFUND's resource mobilization. The amendments will provide an avenue to invest in revolving and endowment funds, issue loans and invest the funds in any other lawful means for environmental management in Kenya.

The Fund is looking forward to the approval of the Kenya Watershed Services Improvement Programme (KEWASIP) by the World Bank. Through nurturing and creation of strategic partnerships the programme will rehabilitate the major water towers in Kenya.

NETFUND received approval from the Italian Agency for Development Cooperation to implement the Cherangany project. The project will assist in restoring the Cherangany forest ecosystems for climate Change resilience and improved livelihoods.

NETFUND will also partner with the KCB Foundation to capitalize the Revolving Fund in Cherangany Ecosystem. The partnership will enable the green enterprises within the ecosystem to access funds to establish and upscale the green businesses.

Resource mobilisation continues to be a critical aspect of NETFUND interventions in the environment sector. It is the goal of the Fund to grow into the premier environmental fund in the sector. In this regard a robust resource mobilisation will be employed and concreted efforts will be made towards accessing the Global funds such as resources from The Adaptation Fund (AF) and Global Climate Fund (GCF). The fund will also engage Multi and Bila lateral organizations for increased funding.

i) Corporate Social Responsibility / Community Engagements

As a responsible Corporate Citizen, NETFUND contributes towards positive transformation of life in the areas of environmental, social and economic well-being of the society in which it operates. The Fund works with employees and other stakeholders to identify areas that need participation and attention in line with its SCR guidelines.

Our CSR approach is anchored on our firm believe that we are part of the society and that our very own wellbeing depends largely on that of the community we operate in. We aim to create sustainable development in the communities by contributing our time, expertise and resources to help communities and locally relevant initiatives in order to enhance sustainable growth and development in Kenya demonstrating our commitment to economic, environmental and social issues.

Towards this, and in the spirit of participating and supporting events and programmes that contribute to the wellbeing of communities and the environment, NETFUND has during the fy 2022/23 supported the following activities as part of its CSR.

1. Community Empowerment Programmes

During this financial year, the Fund supported community groups across the country with tree seedlings and bee hives to enhance their livelihoods and resilience in the face of climate change impacts and un employments. Specifically, the fund has donated Over 300 bee hives to community groups during the world env day 2023 and WCDD 2023 in localities where the events were held. The fund has also donated over 5000 tree seedlings mainly in the form of fruit trees to enable communities enhance their livelihoods while at the same time conserve the environment.



2. Support to Schools

As part of Successful implementation of adaptation strategies, NETFUND strengthened the tree planting and water conservation efforts within the school. NETFUND supported Rooftop water harvesting at Emarti Primary school by donating a 10,000 liters' water tank. The school is situated in a remote location in Kajiado county and had been facing lack of water storage facility. With NETFUND's Support, the school is currently able to engage in farming, tree nursery establishment and conservation of the environment.



3. Charity Initiatives

NETFUND mobilised staff member to support Pillars of Hope Childrens Home by donating food stuff and clothing for the children. This initiative was driven by the need to support vulnerable children and people living with disability as well as the spirit of sharing during festive seasons.



4. Afforestation

Following the Presidential directive for all stakeholders including all Ministries, Government Agencies and Departments of the National Government, County Governments, the Private Sector, and Civil Society Organizations to join in large scale tree growing and afforestation. NETFUND aligned to this call through participating in tree growing and afforestation activities in the country.

NETFUND participated in the community led 7th edition of the Annual Tree Planting Event under the Kaptagat Integrated Conservation Programme that took place on 1st July 2023 at Kessup Forest Block, Elgeiyo-Marakwet County. Over 400,000 assorted indigenous seedlings were planted for the 7th Edition at this translates to at least 400Ha rehabilitated. All seedlings were sourced from the local communities. NETFUND, being the designated fundraising entity for the programme, mobilized 90 partners whose financial commitment support tallied to Kes. 17,600,000 and Kes. 36,022,500 in in-kind contribution (indigenous tree seedlings and avocado fruit tree seedlings). The local community through the various Community Forest Associations (CFAs) supported the programme by providing labor for site preparations and planting.



11 Environmental and Sustainability Reporting

ii) Sustainability strategy and profile

NETFUND exists to transform lives through its mandate of fundraising for environmental management in Awards, scholarships, capacity building and research. Transformation of lives especially through supporting green enterprises at the bottom of the pyramid remains one of our main goals. This is achieved through empowerment capacity building by providing both financial and technical support. We are passionate about service delivery and being interactive with those enterprises that we serve through development of a customer centric culture in the Fund.

Due to competing priority interests at the National level, it is prudent to reduce dependence on exchequer funding by developing income generating strategies geared towards creating a sustainable organisation. The high debt repayment requirement at the National level means that organizations must devise ways to raising additional funds to support their activities. In this regards NETFUND has developed income generating activities particularly in capacity development in fund raising and funds management. In the year under review the Fund raised over 10m through trainings of capacity building. These are areas of growth for the organisation which will be fully exploited in the coming years.

iii) Environmental performance

As an environmental organization, NETFUND's operations are guided by international best practices in terms of energy conservation, recycling and prudent use of resources to ensure compliance to required standards

iv) Employee welfare

NETFUND developed and continues to implement its HR instruments which were approved by the relevant institutions. The instruments provide an overall guidance on the operations in the hiring process. Issues of gender ratio are normally considered in the entire process. Various stakeholders were involved in the development phase and implementation phase. These documents include the following;

- HR policy and procedures manual
- Career Progression
- Staff Establishment
- Organisation Structure

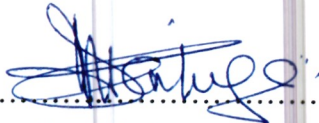
During the year under review NETFUND provided employee counselling and mental wellness services in collaboration with the health service provider and other organs of Government. NETFUND also rolled out the employee car loan that enables staff members to purchase car loans at affordable repayment terms. Additionally, the Fund transitioned certain cadres of staff to permanent and pensionable terms thus conferring a benefit of a defined benefit pension scheme. NETFUND has a robust performance management process which starts with work planning, execution, evaluation followed by rewards and sanctions. NETFUND complies with the Occupational Safety and Health Act of 2007.

Management Team

The management team headed by the Chief Executive Officer implements the Board decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the Board's objectives are achieved effectively and efficiently.

Audit

NETFUND is audited by the Office of the Auditor General as required by statute.



.....
Hon. David Mwaure Waihiga
Chair Board of Trustees

23-01-2024

.....
Date

12 Report of the Trustees

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the Fund's affairs.

i) Principal activities

The Fund's principal activity is to mobilize funds from any legitimate source that will facilitate research intended to further the requirements of environmental management, capacity building, environmental awards, environmental publications, scholarships, and grants.

ii) Results

The results of the Entity for the year ended June 30, 2023, are set out on page 1

iii) Trustees

The trustees who held office during the year and to the date of this report are set out on in earlier sections of the report. The Chair to the Board of Trustees was appointed on the 20th April 2023.

iv) Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with the Public Finance Management (PFM) Act, 2012. The Auditor General continues in office in accordance with the Public Finance Management (PFM) Act, 2012

By Order of the Board



.....
Name: Samson Toniok

CEO/Secretary to the Board of Trustees

13 Statement of Trustees Responsibilities

Section 81 of the Public Finance Management Act, 2012 and (section 14 of the State Corporations Act,) require the Trustees to prepare financial statements in respect of that Fund, which give a true and fair view of the state of affairs of the Fund at the end of the financial year and the operating results of the entity for that year. The Trustees are also required to ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Trustees are also responsible for safeguarding the assets of the Fund.

The Trustees are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year (period) ended on June 30, 2023. This responsibility includes:

- i) Maintaining adequate financial management arrangements 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 Fund
- iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv) Safeguarding the assets of the Fund;
- v) Selecting and applying appropriate accounting policies; and
- vi) Making accounting estimates that are reasonable in the circumstances.

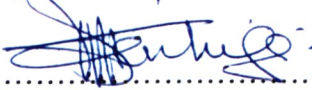
The Trustees accept responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act).

The Trustees are of the opinion that the Fund's financial statements give a true and fair view of the state of *Fund's* transactions during the financial year ended June 30, 2023, and of the *Fund's* financial position as at that date. The Trustees further confirm the completeness of the accounting records maintained for the *Fund*, which have been relied upon in the preparation of the *Fund's* financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Trustees to indicate that the *Fund* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The *entity's* financial statements were approved by the Board on 23-01-24 2023 and signed on its behalf by:



.....

Hon. David Mwaure Waihiga

Chair Board of Trustees

Date... 23/01/2024



.....

Samson Toniok

Chief Executive Officer

Date... 23/01/2024



.....

Evans Kiprotich

Finance Manager

Date... 23/1/2024

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 NATIONAL ENVIRONMENT TRUST FUND FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of National Environment Trust Fund set out on pages 1 to 32 which comprise of the statement of financial position as at 30 June, 2023 and the statement of financial performance, statement of changes in

Report of the Auditor-General on National Environment Trust Fund for the year ended 30 June, 2023

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of National Environment Trust Fund 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 (Accrual Basis) and comply with the Environmental Management and Coordination Act, 1999 and the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

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

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, except for the matter described in the Basis for Conclusion on the Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Failure to Constitute Board of Trustees

During the year under review, the Fund did not have a fully functional Board of Trustees. The previous Boards tenure expired on 20 September, 2021. Further, only the Chair and a representative from the National Treasury and the Ministry of Environment and Climate Change were appointed on 20 April, 2023 being the last quarter of the financial year.

In the circumstances, the Fund did not receive adequate governance and oversight during the year under review.

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

Responsibilities of the Management and Board of Trustees

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

In preparing the financial statements, the Management is responsible for assessing the Fund'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 the Management is aware of the intention to terminate the Fund or cease operations.

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

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

The Board of Trustees is responsible for overseeing the Fund'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


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 control.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Fund's 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 Fund'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 Fund 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 Fund 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

26 January, 2024

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NATIONAL ENVIRONMENT TRUST FUND
Annual Reports and Financial Statements
For the year ended June 30, 2023

15 Statement of Financial Performance for the year ended 30 June 2023

	Note	2022-2023 Ksh.	2021-2022 Ksh.
Revenue from non-exchange transactions			
GOK Grants	7	192,699,566	249,616,815
Public contributions and donations	8	331,950	4,464,670
Transfers from other government entities	9	91,653,329	1,462,200
		284,684,845	255,543,685
Revenue from exchange transactions			
Finance income – Interest on car loans	10	52,631	-
Other Incomes	11	5,196,720	-
		5,249,351	-
Total revenue		289,934,196	255,543,685
Expenses			
Employee costs	12	115,209,797	92,420,964
Board of Trustees Expense	13	608,440	3,628,519
Depreciation and amortization expense	14	7,787,454	6,708,742
Repairs and maintenance	15	1,207,897	853,884
Other Admin costs	16	4,151,458	3,025,234
Project Costs	17	118,309,414	102,766,293
General expenses	18	42,260,724	45,529,875
Total expenses		289,535,184	254,933,511
Surplus before tax		399,012	610,174
Taxation		-	-
Surplus for the period		399,012	610,174

The notes set out on pages 6 to 32 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 3 were signed on behalf of the Board of Trustees by:



Name: Samson Toniok
Accounting Officer

ICPAK M/NO: 6632

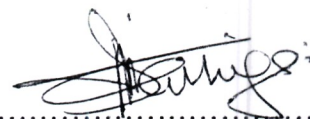
Date23/1/2024



Name: Evans Kiprotich
Head of Finance

ICPAK M/No: 23383

Date23/1/2024



Name: Hon. David Mwaure
Waihiga

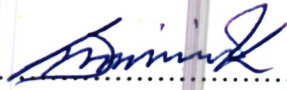
Chairman of the Board

Date23/1/2024

16 Statement of Financial Position as 30 June 2023


	Note	2022-2023 Ksh.	2021-2022 Ksh.
Assets			
Current Assets			
Cash and Cash Equivalents	19	47,972,299	17,069,997
Receivables from Exchange Transactions	20	4,468,271	2,812,468
Receivables from non-exchange Transactions	21	-	5,000,000
Inventory	22	897,987	1,037,001
		53,338,557	25,919,466
Non-Current Assets			
Property, plant and equipment	23	19,241,640	15,782,401
Intangibles	24	2,319,361	2,652,240
		21,561,001	18,434,641
Total Assets		74,899,558	44,354,107
Liabilities			
Current Liabilities			
Trade and Other payables	25	26,598,433	12,447,474
Deferred Income	26	27,298,413	10,000,000
Total Current Liabilities		53,896,846	22,447,474
Total Liabilities		53,896,846	22,447,474
Net Assets			
Capital Reserves		7,714,898	7,714,898
Accumulated surplus		13,287,814	14,191,735
		21,002,712	21,906,633
Total net assets and liabilities		74,899,558	44,354,107

The financial statements set out on pages 1 to 3 were signed on behalf of the Board of Trustees by:


Name: Samson Toniok

Accounting Officer

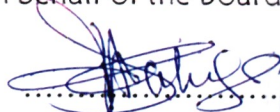
Date ...23/01/2024


Name: Evans Kiprotich

Head of Finance

ICPAK M/No: 23382

Date23/1/2024


Name: Hon. David Mwaure Waihiga

Chairman of the Board

Date23/01/2024

17 Statement of Changes in Net Assets for the year ended 30 June 2023

	Notes	Capital Reserve	Accumulated Surplus	Total
		Ksh.	Ksh.	Ksh.
Balance as at 1st July 2021		7,714,898	13,581,561	21,296,459
Prior year adjustment		-	-	-
Surplus/(deficit) for the period		-	610,174	610,174
Transfers to/from accumulated surplus		-	-	-
Balance as at 30 June 2022		7,714,898	14,191,735	21,906,633
Prior year adjustment		-	-	-
Balance as at 1st July 2022		7,714,898	14,191,735	21,906,633
Surplus/(deficit) for the period	1	-	399,012	399,012
Transfers to/from accumulated surplus		-	(1,302,933)	(1,302,933)
Balance as at 30 June 2023		7,714,898	13,287,814	21,002,712

Note:

- NETFUND received a motor vehicle donation from UNDP worth KES 6,800,000 which was recognised as revenue under IPSA 23.
- There were no prior year adjustments.
- The transfers from accumulated surplus of Kshs. 1,302,933 relates to rent deposit that had been paid to our previous landlord Tysons Ltd that was supposed to have refunded. The landlord has never transferred back the said amount for some years due to discrepancies in rent arrears owed to him. NETFUND has written the amounts off its books in the FY 2022-2023

18 Statement of Cash Flows for the year ended 30 June 2023

Cashflows from operating activities	Note	2022-2023	2021-2022
Surplus for the year		399,012	610,174
Adjustment for:			
Transfer from accumulated surplus		(1,302,933)	-
Depreciation and Amortization		7,787,454	6,708,742
Loss on disposal		73,983	-
Net Cashflows generated from operating Activities before working capital changes		6,957,516	7,318,916
Changes in Working Capital			
(Increase) / Decrease in Trade Receivables		3,344,197	(5,335,922)
(Increase) / Decrease in Inventories		139,014	(252,392)
Increase / (Decrease) in Payables		14,150,959	(5,560,347)
Increase / (Decrease) in Deferred income		17,298,413	(79,616,815)
		34,932,584	(90,765,476)
Net Cashflows from operating Activities		41,890,100	(83,446,560)
Cashflows from Investing Activities			
Purchase of Assets	23	(10,987,798)	(3,003,968)
Adjustment in the Value of Assets		-	-
Net Increase / (Decrease) and Cash Equivalents		30,902,302	(86,450,528)
Cash and Cash Equivalents as at 1st July		17,069,997	103,520,525
Cash and Cash Equivalents as at 30 June		47,972,299	17,069,997

19 Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2022-2023	2022-2023	2022-2023	2022-2023	2022-2023
Revenue	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.
GOK Grants	192,699,566	-	192,699,566	192,699,566	-
Public contributions & donations	-	331,950	331,950	331,950	-
Other Incomes	-	5,196,720	5,196,720	5,196,720	-
Transfers from other government entities	-	91,653,329	91,653,329	91,653,329	-
Finance Income	-	52,631	52,631	52,631	-
Total income	192,699,566	97,234,630	289,934,196	289,934,196	-
Expenses					
Employee costs	98,848,938	-	98,848,938	115,209,797	(16,360,859)
Board of Trustees Expense	710,000	-	710,000	608,440	101,560
Depreciation and amortization expense	5,024,800	-	5,024,800	7,787,454	(2,762,654)
Repairs and maintenance	1,315,709	-	1,315,709	1,207,897	107,812
Other Admin costs	2,478,730	-	2,478,730	4,151,458	(1,672,728)
General Expenses	44,321,389	-	44,321,389	42,260,724	2,060,665
Project Costs	40,000,000	(76,737,910)	121,737,910	118,309,414	2,597,566
Total expenditure	192,699,566	(76,737,910)	274,437,476	289,583,184	(15,097,708)
Surplus for the period	-	-	15,496,720	399,012	15,097,708

Budget notes

1. NETFUND received a motor vehicle donation from UNDP worth KES 6,800,000 which was recognised as revenue under IPSAS 23
2. The difference between actual and budgeted amounts all fall within the 10% threshold as provided by IPSAS 24.14
3. The project costs had an initial budget of KES 45,000,000 and was supplemented by fund resource mobilised in the course of the year. The resources mobilised vary from year to year depending on the success rate of proposals submitted.
4. NETFUND received budgetary cuts of KES 7,300,434 on the recurrent budget during supplementary II. This necessitated budget cuts on various activities such as training that resulted in the overall reduction of general expenses line.

20 Notes to the Financial Statements

1. General Information

NETFUND is established under the Environmental Management and Coordination Act and derives its authority and accountability from the EMCA. The Fund is wholly owned by the Government of Kenya and is domiciled in Kenya. The Entity's principal activity is to mobilize funds from any legitimate source that will facilitate research intended to further the requirements of environmental management, capacity building, environmental awards, environmental publications, scholarships, and grants.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Entity.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act (include any other applicable legislation), and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2023.

Standard	Effective date and impact:
IPSAS Financial Instruments	<p>41: Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;

Standard	Effective date and impact:
	<ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity.</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • IPSAS 22 Disclosure of Financial Information about the General Government Sector. Amendments to refer to the latest System of National Accounts (SNA 2008).

Standard	Effective date and impact:
	<ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i>. Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • <i>IPSAS 29: Financial instruments: Recognition and Measurement</i>. Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.

New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

Standard	Effective date and impact:
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p>Applicable 1st January 2025</p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

ii. Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year or the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity’s financial statements.)

Notes to the financial statements (continued)

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Fund and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions

Rendering of services

The Entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Fund.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

b) Budget information

The original budget for the Current FY was approved by the National Assembly on February 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund never recorded any additional appropriations on the 2022/2023 budget as a result of budget cuts.

Budget information

NETFUND's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section *four* of these financial statements.

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Fund operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. NETFUND is not subject to income tax.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable to NETFUND and the same taxation authority.

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- ii) When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

e) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Fund. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Fund also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Fund will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Fund. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

f) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets,

excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

g) Research and development costs

NETFUND expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Fund can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale.
- ii) Its intention to complete and its ability to use or sell the asset.
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset.
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

h) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements.* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

a) Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial

asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

b) Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

c) Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

d) Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

e) Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Notes to the Financial Statements (Continued)

f) Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

g) Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date.

h) Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

i) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Fund.

j) Provisions

Provisions are recognized when NETFUND has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Fund expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense

relating to any provision is presented in the statement of financial performance net of any reimbursement.

k) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

l) Contingent liabilities

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.

m) 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.

n) Nature and purpose of reserves

The Fund creates and maintains reserves in terms of specific requirements. The Fund maintains revenue reserves which is a part of the profit retained by the companies for multiple future purposes.

o) Changes in accounting policies and estimates

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

p) Employee benefits

Retirement benefit plans

NETFUND provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which the Fund pays fixed contributions into a separate Entity (CiC Insurance) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits

relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

i) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

j) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

k) Related parties

NETFUND regards a related party as a person or an Entity with the ability to exert control individually or jointly, or to exercise significant influence over the Fund, or vice versa. Members of key management are regarded as related parties and comprise *the directors, the CEO and senior managers*. The Fund regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Fund, or vice versa. Members of key management are regarded as related parties. Service concession arrangements – IPSAS 32

l) Service concession arrangements

NETFUND analyses all aspects of service concession arrangements that it enters in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Fund recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Fund also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

Notes to the Financial Statements (Continued)

q) 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.

r) Comparative figures

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

s) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of NETFUND's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made:

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual value

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- a) The condition of the asset based on the assessment of experts employed by the Entity.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Notes to the Financial Statements (Continued)

7. Government Grants

	2023	2022
Actual	Ksh	Ksh
Recurrent	152,699,566	160,000,000
Development	45,000,000	89,616,815
Total revenue	197,699,566	249,616,815
Reconciliation of Development grants		
Balance unspent at beginning of year	10,000,000	89,616,815
Current year receipts	197,699,566	170,000,000
Conditions met- transferred to revenue	192,699,566	249,616,815
Conditions to be met- remain liabilities	15,000,000	10,000,000

8. Public contributions and donations

	2023	2022
	Ksh	Ksh
TREE PLANTING DONATIONS	10,635,230	4,464,670
Total Transfers and Sponsorship	10,635,230	4,464,670
Reconciliation of public contributions and donations		
Balance unspent at beginning of year		
Current year receipts	10,635,230	4,463,550
Conditions met- transferred to revenue	331,950	4,463,550
Conditions to be met- remain liabilities	10,303,280	-

These were revenues collected through fundraising for the 7th edition of Kaptagat tree planting event held in Kaptagat.

9. Transfer from other Government Entities

	2023	2022
	Kshs	Kshs
Conditional grants		
UNDP-FLARAK	84,853,329	1,462,200
Motor Vehicle Donation	6,800,000	-
Total grants from other governments	91,653,329	1,462,200

This were revenues for Flarak project donated by UNDP. They also donated a motor vehicle which was recognised as revenue under IPSAS 23.

10. Finance Income

	2023	2022
	Ksh	Ksh
Interest from staff car loans	52,631	-
Total Income	52,631	-

NETFUND has a car loan scheme for staff which earns interest at a rate of 5% for any loans issued to purchase motor vehicles.

11. Other Incomes

	2023	2022
	Ksh	Ksh
Other Incomes	5,196,720	-
Total Training Revenue	5,196,720	-

These were revenues earned from trainings conducted by NETFUND where fees were paid

12. Employee Costs

	2023	2022
	Kshs	Kshs
Basic Pay	57,147,200	53,441,100
Other Allowances	25,489,106	24,020,997
Pension contribution & NSSF Employer	3,229,240	113,000
Leave allowances	4,691,000	3,592,600
Gratuity	24,530,201	11,141,117
Attaché allowances	93,000	84,000
Employee related costs - NITA Employer expense	30,050	28,150
Total Employee costs	115,209,797	92,420,964
Number of Staff	39	36

13. Board of Trustee Expenses

	2023	2022
	Kshs	Kshs
Chairman's Honoraria	200,000	240,000
Sitting Allowances	280,000	1,260,000
Travel & Accommodation allowance	128,440	2,128,519
Total Board Expenses	608,440	3,628,519

14. Depreciation and Amortization Expense

	2023	2022
	Kshs	Kshs
Property, plant and equipment	6,868,238	5,912,040
Intangible assets	919,216	796,702
Total depreciation and amortization	7,787,454	6,708,742

15. Repairs and Maintenance

	2023	2022
	Kshs	Kshs
Computer & Printers	20,000	68,500
Equipment	48,400	25,000
Vehicles	1,139,497	760,384
Total repairs and maintenance	1,207,897	853,884

16. Other Admin costs

	2023	2022
	Kshs	Kshs
Strategy	1,413,638	761,800
Audit services	2,577,120	-
ICT Services	-	1,494,604
Other	160,700	768,830
Total contracted services	4,151,458	3,025,234

17. Project Costs

	2023	2022
	Kshs	Kshs
Development grant projects	33,441,422	15,352,614
ACCF Project	-	1,998
Economic Stimulus Program	792,600	86,128,613
Tree planting	-	840,830
FLARAK	84,075,392	442,239
Total project cost	118,309,414	102,766,293

18. General Expenses

	2023	2022
	Kshs	Kshs
Advertising	-	303,431
Local Travel	2,307,277	4,011,964
Foreign Travel	949,223	4,182,594
Loss on disposal	73,983	-
Computer Expenses	3,482,748	1,260,369
Rent and Rates	12,577,991	11,417,675
Utilities	903,599	769,212
Catering & Hospitality	2,114,119	1,620,543
Fuel and oil	1,584,815	2,040,842
Insurance	11,776,277	10,828,264
Internet charges	612,282	635,938
Telephone and Postage	869,930	1,269,986
Gen Office & stationery	669,749	841,016
Publishing & printing	49,828	-
Bank charges	341,757	208,563
Training Expenses	2,742,257	5,067,261
Staff Welfare Costs	1,204,890	1,072,218
Total general expenses	42,260,724	45,529,875

19. Cash and Cash Equivalents

	2023	2022
	Kshs	Kshs
Bank	47,972,299	17,069,997
Cash-on-hand and in transit	-	-
Short-term deposits	-	-
Total cash and cash equivalents	47,972,299	17,069,997

19 (a) Detailed Amounts of Cash and cash equivalents

	2023	2022
	Kshs	Kshs
Kenya Commercial bank- Recurrent A/C	32,346,420	284,584
Kenya Commercial bank- Development A/C	8,436,035	3,654,695
Kenya Commercial bank- GIA/SIDA A/C	4,622,748	7,779,023
Kenya Commercial bank- ACCF project A/C	235	235
Kenya Commercial bank- Car loans	2,566,861	5,351,460
Total	47,972,299	17,069,997

20. Receivables from Exchange Transactions

	2023	2022
	Kshs	Kshs
Current receivables		
Staff Debtors	4,468,271	1,509,535
Other exchange debtors	-	1,302,933
Less: impairment allowance	-	-
Total current receivables	4,468,271	2,812,468

2023				Total
	0-3 Months	3 – 12 Months	Over 12 Months	
Staff Debtors	-	4,468,271	-	4,468,271
Other Exchange Debtors	-	-	-	-
	-	4,468,271	-	4,468,271
2022				Total
	0-3 Months	3 – 12 Months	Over 12 Months	
Staff Debtors	-	1,509,535	-	1,509,535
Other Exchange Debtors	-	-	1,302,933	1,302,933
	-	1,509,535	1,302,933	2,812,468

21. Receivables from Non-Exchange Transactions

	2023	2022
	Kshs	Kshs
Development grants	-	5,000,000
Less: impairment allowance	-	-
Total current receivables	-	5,000,000

22. Inventories

	2023	2022
	Kshs	Kshs
Consumable stores	162,368	197,993
General office supplies	128,224	148,740
Computer Accessories	607,396	690,268
Total inventories	897,987	1,037,001

23. Property, Plant and Equipment

	Motor Vehicle	Furniture & Fittings	Computers & Printers	Equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
At 1 July 2021	22,037,257	14,974,915	11,359,489	9,354,196	57,725,857
Additions	-	1,960,200	-	216,920	2,177,120
Disposals	-	-	-	-	-
At 30 June 2022	22,037,257	16,935,115	11,359,489	9,571,116	59,902,977
Additions	6,800,000	818,408	2,670,053	113,000	10,401,461
Disposals	(2,490,000)	(1,592,899)	(3,387,157)	(1,094,720)	(8,564,776)
At 30 June 2023	26,347,257	16,160,624	10,642,385	8,589,396	61,739,662
Depreciation and impairment					
At 30 June 2021	9,485,734	11,227,421	10,123,563	7,371,819	38,208,537
Depreciation	3,583,134	1,225,709	521,970	581,226	5,912,039
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
At 1st July 2022	13,068,868	12,453,130	10,645,533	7,953,045	44,120,576
Depreciation	4,640,395	1,077,298	690,230	460,316	6,868,239
Disposals	(2,490,000)	(1,558,304)	(3,380,139)	(1,062,350)	(8,490,793)
At 30 June 2023	15,219,263	11,972,124	7,955,624	7,351,011	42,498,022
Net book values					-
At 30 June 2023	11,127,994	4,188,500	2,686,761	1,238,385	19,241,640
At 30 June 2022	8,968,389	4,481,985	713,956	1,618,071	15,782,401

24. Intangible Assets- Software

Cost	
At 1 July 2021	5,802,751
Additions	826,848
At 30 June 2022	6,629,599
Additions	586,337
At 30 June 2023	7,215,936
Amortisation & Impairment	
At 1 July 2021	3,180,657
Amortisation	796,702
At 30 June 2022	3,977,359
Amortisation	919,216
Impairment Loss	-
At 30 June 2023	4,896,575
Net Book Values	
At 30 June 2023	2,319,361
At 30 June 2022	2,652,240

25. Trade Payables

	2023	2022
	Kshs	Kshs
Trade Payables	10,015,481	4,632,998
Payments received in Advance-KENIA	-	5,121,610
Staff payables-gratuity	16,361,528	-
Other Payables (Withholding Taxes)	221,424	2,692,866
Total Trade and other payables	26,598,433	12,447,474

26. Deferred Income

	2023	2022
	Ksh	Ksh
Public contributions and donations	10,303,280	-
Development	15,000,000	10,000,000
KENIA	1,995,133	-
Total revenue	27,298,413	10,000,000

27. Financial Assets

2023	Carrying Amount	Fair Value
Receivable from exchange Transactions	4,468,271	4,468,271
Receivable from Non-exchange Transactions	-	-
Cash and cash equivalents	47,972,299	47,972,299
Total Financial Assets	52,440,569	52,440,569
2022	Carrying Amount	Fair Value
Receivable from exchange Transactions	2,812,468	2,812,468
Receivable from Non-exchange Transactions	5,000,000	5,000,000
Cash and cash equivalents	17,069,997	17,069,997
Total Financial Assets	24,882,465	24,882,465
Financial Liabilities		
2023	Carrying Amount	Fair Value
Trade and other payables	26,598,433	24,508,433
Deferred Income	27,298,413	27,298,413
Total Financial Assets	53,896,846	51,806,846

28. Related Party Disclosure

2023			
Designation	Basic Pay	Allowances	Total
Chief Executive Officer	4,800,000	2,080,000	6,880,000
Director Business Development	3,072,000	1,696,000	4,768,000
Projects Manager	2,773,200	1,023,100	3,796,300
Finance Manager	2,773,200	1,023,100	3,796,300
Total	13,418,400	5,822,200	19,240,600
2022			
Designation	Basic Pay	Allowances	Total
Chief Executive Officer	4,620,000	2,065,000	6,685,000
Director Business Development	2,972,400	1,440,000	4,412,400
Director Research	2,575,200	1,006,600	3,581,800
Finance Manager	2,575,200	1,006,600	3,581,800
Total	12,742,800	5,518,200	18,261,000

29. Cash Generated from operations.

	2023	2022
	Kshs	Kshs
Surplus for the year before tax	399,012	1,328,176
Adjusted for:	-	-
Transfer from accumulated surplus	(1,302,933)	
Depreciation	7,787,454	4,802,248
Loss on Disposal	73,983	-
Working capital adjustments:		
Increase in inventory	139,014	668,005
Increase in receivables	3,344,197	1,468,418
Decrease in deferred income	17,298,413	89,616,815
Decrease in payables	14,150,959	2,865,311
Decrease in provisions	-	(14,637,652)
Decrease in work in progress	-	6,304,000
Net Cashflow from operating activities	41,890,100	92,415,321

30. Financial Risk Management

The Entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Entity's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Entity does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The Entity's financial risk management objectives and policies are detailed below:

i) Credit risk

The Entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Entity's management based on prior experience and their assessment of the current economic environment.

Financial Risk Management

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The board of directors sets the Entity's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Entity's directors, who have built an appropriate liquidity risk management framework for the management of the Entity's short, medium and long-term funding and liquidity management requirements. The Entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the Entity under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

iii) Market risk

The *Fund* has put in place an internal audit function to assist it in assessing the risk faced by the Entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the

Entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Entity's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Entity's exposure to market risks or the way it manages and measures the risk.

a) **Foreign currency risk**

The Fund has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The *Fund* manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

Fair value of financial assets and liabilities

a) **Financial instruments measured at fair value.**

Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *Fund's* market assumptions. These two types of inputs have created the following fair value hierarchy:

NETFUND at the moment doesn't own any of these financial instruments.

31. Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the Fund include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of NETFUND, holding 100% of the Firm's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Entity, both domestic and external.

Other related parties include:

- i) Ministry of Environment Climate Change & Forestry.
- ii) County Governments
- iii) Other SCs and SAGAs
- iv) Key management.
- v) Board of Trustees.

Description	2022-2023	2021-2022
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
Sales of electricity to Govt agencies	-	-
Rent Income from govt. agencies	-	-
Total	-	-
b) Purchases from related parties		
Purchases of electricity from KPLC	903,599	769,212
Purchase of water from govt service providers	-	-
Rent expenses paid to govt agencies	11,776,277	11,417,675
Training and conference fees paid to govt. agencies	720,480	688,440
Others (specify)	-	-
Total	13,400,356	12,875,327
b) Grants /Transfers from the Government		
Grants from National Govt	197,699,566	170,000,000
Grants from County Government	-	-
Donations in kind	15,831,950	4,463,550
Total	213,531,516	174,463,550
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for 36 employees	98,848,269	92,420,964
Payments for goods and services	42,260,724	45,529,875
Total	141,108,993	137,950,839
d) Key management compensation		
Directors' emoluments	4,768,000	3,628,519
Total	4,768,000	3,628,519

32. Contingent Assets and Contingent Liabilities

Contingent Assets

Description	2022-2023	2021-2022
	Kshs	Kshs
Contingent Assets		
Rental Deposit	-	1,302,933
Total	-	1,302,933

33. Events after the Reporting Period

There were no material adjusting and non- adjusting events after the reporting period.

34. Ultimate And Holding Entity

The Entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Environment Climate Change & Forestry. Its ultimate parent is the Government of Kenya.

35. Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

21 20. Appendices

Appendix 1: Implementation Status of Auditor-General's Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

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)
OAG/NETFU ND/2021/20 22(20)	There were no key audit matters to report in the year under review.			

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your Entity responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.



C.E.O

Date: 23-01-2024

Appendix II: Projects implemented by National Environment Trust Fund

Projects implemented by the State Corporation/ SAGA Funded by development partners and/ or the Government.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements, (Yes/No)
National Tree Planting Campaign		GoK	1 year	45M	No	Yes
Forest and Land Restoration Action for Kenya (FLARAK)		UNDP	1 Year	89M	Yes	Yes

Status of Projects completion

SN	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1108106605	National Tree Planting Campaign	45M	45M	100%	45M	45M	GoK
1108108200	Forest & Land Restoration Action for Kenya (FLARAK)	89M	75.5M	90%	84M	75.5M	UNDP

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Appendix IV: Transfers from Other Government Entities

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others must be specific	
Ministry of Environment Climate Change & Forestry	June 23	Recurrent	152,699,566	152,699,566	-	-	-	-	152,699,566
Ministry of Environment Climate Change & Forestry	June 23	Development	45,000,000	45,000,000	-	-	-	-	45,000,000
UNDP	April 23	Donor Fund	91,653,329	82,653,329	-	9,000,000	-	-	91,653,329
Total			289,352,895	282,552,895	-	9,000,000	-	-	289,352,895

Appendix V- Inter-Entity Confirmation Letter

The *National Environment Trust Fund* wishes to confirm the amounts disbursed to us as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and

Confirmation of amounts received by National Environment Trust Fund as at 30th June 2023

Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June 2023				Total (D)=(A+B+C)	Amount Received by [beneficiary Entity] (KShs) as at 30 th June 2023 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)				
Quarter 1	16.08.21	40,000,000			40,000,000	40,000,000	-	
Quarter 2	29.11.21	40,000,000			40,000,000	40,000,000	-	
Quarter 3	04.02.22	40,000,000			40,000,000	40,000,000	-	
Quarter 4	04.05.22	32,699,566			32,699,566	32,699,566	-	
Batch 1	06.07.22		45,000,000		45,000,000	45,000,000	-	
Total		152,699,566	45,000,000		197,699,566	197,699,566	-	

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary Entity:

Name Eric Kiprind Sign [Signature] Date 23/1/24

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Appendix VI: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities	Source Funds				Implementing Partners
				Q1	Q2	Q3	Q4	
NETFUND Green Award (GIA V)	This is an annual flagship programme of NETFUND that promotes green growth and addresses the impacts of climate change through efforts that contribute to a low carbon and climate resilient development pathway	<ol style="list-style-type: none"> The objectives of the project are. To stimulate and reward green innovations and best practices that contribute to environmental sustainability and climate change action. To enhance capacity of green businesses to commercialize their innovations. 	<p>To achieve the objectives of the project, the following activities were undertaken.</p> <ol style="list-style-type: none"> Launch for the call. Evaluation and selection of the green innovations Bootcamp training for the innovations Awarding & recognition of the innovators 	GoK				KCIC Consulting Limited, Standard Group and Worldwide Fund for Nature

		<p>4. To create awareness on technologies and innovations that contribute to environmental sustainability and climate change actions</p>				<ul style="list-style-type: none"> • Kenya Forest Service • Kenya Wildlife Service • Narok Pastoral Institute • County Governments of Kakamega, Vihiga, Elgeyo Marakwet and Narok • Ewaso Nyyiro South
<p>Forest and Land Restoration Actions for Kenya's NCD (FLARAK)</p>	<p>The project was intended to resolve systemic barriers that continue to hinder sustainable tree growing and unmitigated ecosystem and land degradation and focused on</p>	<p>1. Build capacity of women, youth, and Persons Living with Disabilities in the production of quality seedlings as well as tree planting and growing activities. 2. Providing for the active</p>	<ul style="list-style-type: none"> • Tree planting in degraded public forest areas in Kaptagat, Kakamega and Enoosupukia Forest Ecosystem Protection of Kakamega Forest 		<p>UNDP/ Government of Japan</p>	

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	<p>strengthening forest governance, Enhancing production capacity and accessibility of certified and quality seedlings, Piloting and scaling up appropriate technologies for tree growing and Sensitising and mobilising the public to participate in tree growing activities.</p>	<p>involvement of vulnerable and marginalised groups in the society in the re-afforestation and conservation efforts to be implemented</p> <p>3. Protection, rehabilitation, and restoration of public forests and degraded landscapes</p>	<ul style="list-style-type: none"> Supporting nature based livelihoods for vulnerable forest communities Building capacity of local communities to raise tree seedlings 		<p>Development Authority</p> <ul style="list-style-type: none"> KEFRI CORE
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Appendix VII: Reporting on Disaster Management Expenditure

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII	
Programme	Sub-programme	Disaster Type	Category of disaster related expenditure (response/recovery/mitigation/preparedness)	Activity that reporting	Expenditure item	Amount (Kshs.)	Comments
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A