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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



**REPORT**

THE NATIONAL ASSEMBLY  
PAPERS LAID

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**THE AUDITOR-GENERAL**

**ON**

**GCF PROJECT PREPARATION FACILITY:  
“DEVOLVED CLIMATE CHANGE  
GOVERNANCE TO STRENGTHEN  
RESILIENCE OF COMMUNITIES’  
IN TARGET COUNTIES”**

**FOR THE YEAR ENDED  
30 JUNE, 2020**

**NATIONAL ENVIRONMENT  
MANAGEMENT AUTHORITY**





**Programme Name: GCF Project Preparation Facility: “Devolved climate change governance to strengthen resilience of communities’ in target counties”**

**Implementing Entity: National Environment Management Authority**

**PROJECT GRANT/CREDIT NUMBER: KEN-PPF-010**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2020**

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

**TABLE OF CONTENT**

1. PROJECT INFORMATION AND OVERALL PERFORMANCE .....	ii
1.1 Name and registered office .....	ii
1.2 Project Information .....	ii
1.3 Project Overview .....	iv
1.4 Bankers .....	v
1.5 Auditors .....	v
1.6 Roles and Responsibilities .....	v
1.7 Funding Summary .....	vii
1.8 Summary of Overall Project Performance: .....	ix
1.9 Summary of Project Compliance: .....	x
<b>2..STATEMENT OF PERFORMANCE AGAINST PROJECT’S PREDETERMINED OBJECTIVES .....</b>	<b>x</b>
<b>3.CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY .....</b>	<b>xi</b>
<b>REPORTING .....</b>	<b>xi</b>
4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES .....	xiii
5. REPORT OF THE INDEPENDENT AUDITORS ON THE PROGRAMME .....	xv
6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2020 .....	1
7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2020 .....	2
8.STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2020 .....	3
9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS .....	4
10. NOTES TO THE FINANCIAL STATEMENTS .....	6
9.1 Basis of Preparation .....	6
9.1.1 Statement of compliance and basis of preparation .....	6
9.1.2 Reporting entity .....	6
9.1.3 Reporting currency .....	6
9.2 Significant Accounting Policies .....	6
9.3 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS .....	10
9.5 Bank Accounts .....	12
<b>9.6Outstanding imprest.....</b>	<b>13</b>
There was no outstanding imprest as at 30 <sup>th</sup> June 2020 .....	13
10.OTHER IMPORTANT DISCLOSURES .....	14
11.PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATION .....	15
ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS.....	16

## **1. PROJECT INFORMATION AND OVERALL PERFORMANCE**

### **1.1 Name and registered office**

**Name:** GCF Project Preparation Facility: "Devolved climate change governance to strengthen resilience of communities in target counties"

**Objective:** To build a devolved governance structure for Kenya to enable vulnerable communities' greater ownership and access to climate finance for adaptation investments to build resilience and adaptive capacity to climate change.

**Address:** The project headquarters offices are:

Eland House  
Popo Road, off Mombasa Road  
Nairobi, Kenya

The address of its registered office is:  
P.O. Box 67839-00200  
NAIROBI

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

#### **Director General**

National Environment Management Authority

Po Box 67839 00200

Email; [dgnema@nema.go.ke](mailto:dgnema@nema.go.ke)

&

#### **Wangare Kirumba,**

Programme coordinator

E-mail: [wkirumba@nema.go.ke](mailto:wkirumba@nema.go.ke)

Telephone: (254) 712815514

Website: [www.nema.go.ke](http://www.nema.go.ke)

### **1.2 Project Information**

<b>Project Start Date:</b>	26 <sup>th</sup> June 2019
<b>Project End Date:</b>	Initial project end date was 26 April 2020 The project end date after a 6 month No Cost Extension is 26 October 2020 and further no cost extension to April 2021
<b>Project Coordinator:</b>	Ms. Wangare Kirumba

<b>Project Sponsor:</b>	Green Climate Fund
<b>Grant Management</b>	United Nations Office for Project Services (UNOPS)

### 1.3 Project Overview

<b>Line Ministry/State Department of the project</b>	The project is under the supervision of the National Treasury as the National Designated Authority under the Green Climate Fund; and the Ministry of Environment and Forestry, the Line ministry of the Accredited Entity, NEMA.
<b>Project number</b>	KEN-PPF-010
<b>Strategic goals of the project</b>	To enhance the resilience and adaptive capacity of vulnerable communities to climate shocks in targeted Counties, under a devolved governance structure.
<b>Achievement of strategic goals</b>	The procurement process for consultancy to develop the funding proposal for: <b>“Devolved climate change governance to strengthen resilience of communities in target counties”</b> was advanced during the financial year.
<b>Other important background information of the project</b>	<p>NEMA as a Direct Access Entity is responsible to lead the implementation of the PPF grant. NEMA will be responsible for the overall management and supervision of each of the funded activity areas in line with its own internal rules, policies and procedures. Specifically, NEMA will be responsible for the administration of the grant in accordance with GCF’s Operational Policies and Guidelines as well as NEMA’s own standards and procedures</p> <p>NEMA will also manage the day-to-day execution of the activities outlined in the PPF. This includes developing all relevant terms of reference, procuring the services required, selecting appropriate firms and/or consultants, supervising and monitoring the contracting of firms and consultants, providing inputs and support to firms and consultants to ensure quality results and the completion of all activities in a timely manner.</p> <p>The project will focus on interventions in the water sector through targeted investments. The Preparation support will be used to finance:</p> <ul style="list-style-type: none"> <li>(i) the identification and selection of priority adaptation investments in targeted counties through extensive stakeholder consultations;</li> <li>(ii) the required engineering studies and technical assessments to design the identified adaptation investments;</li> <li>(iii) the identification and capacity assessment of potential implementing partners at the local-level; and</li> <li>(iv) the required studies and plans for the Funding Proposal including – a feasibility study; environmental and impact assessment (ESIA) and associated Environmental Management Plan (EMP), gender analysis and</li> </ul>

	gender action plan; and financial model and economic analysis.
<b>Current situation that the project was formed to intervene</b>	The adverse impacts of climate change have led Kenya to enact an overarching Climate Change Act (2016), which puts into place structures to coordinate climate change activities from the national to the county levels. County governments remain key agents in bringing transformation of communities to enhance their resilience and ensure sustainable development. Still, vulnerability to climate change is quite high and will require a systematic process to reduce the impacts of climate change. This project develops a proposal for the target counties aimed at building community resilience to climate shocks by enabling direct access to climate finance at the sub-national level (county).
<b>Project duration</b>	The project started on 26. 06. 2019, and is expected to run until 26/10/2020

#### 1.4 Bankers

The following are the bankers for the current year:

Kenya Commercial Bank Ltd (KCB)

##### **Bank Details:**

Account Name: NEMA Adaptation Fund Kshs Account

Account No. 1218639164

Kenya Commercial Bank Ltd (KCB)

Gateway House Branch

P.O. Box 27618-00506, Nairobi

#### 1.5 Auditors

The project is audited by:

Office of Auditor General

P.O. Box 30084-00100

Nairobi,

Kenya

#### 1.6 Roles and Responsibilities

The following schedule provides a list of persons involved in the management of the project, their designation, qualifications, and specific roles.

*Annual Report and Financial Statements for the financial year ended June 30, 2020 for GCF Project Preparation Facility: “Devolved climate change governance to strengthen resilience of communities in target counties” under United Nations Office for Project Services (UNOPS)*

<b>Names</b>	<b>Title designation</b>	<b>Key qualification</b>	<b>Responsibilities</b>
Mamo Boru Mamo	Director General	Doctor of Philosophy	Overall project direction and leadership
Ms. Wangare Kirumba	NIE Coordinator	Masters Environmental Planning and Management	Overall Project Coordination
Mr. John Wafula	Deputy NIE Coordinator	Masters Environmental Planning and Management	Project management
Ms Sarah Muthoni	Knowledge Management Officer	Masters Community Development	Knowledge management
Ms. Anne Gateru	Program Officer	Masters Project Management	Support project management
Mr. Peter Obiere	NIE Accountant	MBM, BBM, CPA(K)	Accounting and Financial management

## **1.7 Funding Summary**

The Project is for duration of one year from 26<sup>th</sup> June 2019 to 26<sup>th</sup> October 2020 with an approved budget of USD **371,200** equivalent to Kshs. 37,120,000.00. The Green Climate Fund has disbursed USD **352,640** equivalent to Kshs 34,999,147.00 .



Below is the funding summary:

Source of funds	Donor Commitment-		Amount received to date – 30/6/2020		Undrawn balance to date	
	<i>Donor currency</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>
	<i>(A)</i>	<i>(A')</i>	<i>(B)</i>	<i>(B')</i>	<i>(A)-(B)</i>	<i>(A')-(B')</i>
<b>(i) Grant</b>						
Green Climate Fund Secretariat	USD 371,200	Kshs 37,120,000	USD 352,640	Kshs34,999,147.90	USD 18,560	Kshs18,560,000
<b>Total</b>	<b>USD 371,200</b>	<b>Kshs 37,120,000</b>	<b>USD 352,640</b>	<b>Kshs34,999,147.90</b>	<b>USD 18,560</b>	<b>Ksh 18,560,000</b>



**1.8 Summary of Overall Project Performance:**

The Project is for duration of one year from 26<sup>th</sup> June 2019 to 26<sup>th</sup> October 2020 with an approved budget of USD **371,200** equivalent to Kshs. 37,120,000.00. The Green Climate Fund has disbursed USD **352,640** equivalent to Kshs 34,999,147.00 . Since the Project’s effectiveness, NEMA has spent Kshs 733,609 representing an absorption rate of 2.1% with the following achievements as tabulated below. The project procured consultants to kick start the project activities in the month of August 2020 – this is beyond the reporting period.

<b>Planned Activities</b>	<b>Expected Output</b>
Activity 1 Stakeholder consultations (needed to scope adaptation investments and narrow geographic targets): workshops at National, county, and community level	Six (6) stakeholder workshops a) 4 at the county level. b) 1 with national level stakeholders c) 1 workshop with NEMA field staff
Activity 2 Comprehensive feasibility study of the project drafted– including financial model and economic analysis.	A Feasibility report
Activity 3 Due-diligence and capacity assessment of potential implementing entities	1. Capacity assessment report 2. Identification of Executing entities
Activity 4 Development of mechanism for partnering with local NGOs, Civil Society, and County Governments	A report on structured coordination mechanism for partnering with Civil Society and County Governments
Activity 5 Environmental, social, and gender studies	1. An ESIA report 2. Hydrogeological surveys
Activity 6 Preparation of Gender Analysis and associated Gender Action Plan	1. Gender analysis report 2. Gender Action Plan 3. Engendered funding proposal
Activity 7 Draft funding proposal and associated annexes	A Funding proposal in line with GCF requirements

### **1.9 Summary of Project Compliance:**

There were no cases of non-compliance with applicable laws and regulations, and external financing agreements/ Covenants since the program has just started.

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

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

KRA 1: Environmental Quality, Protection and Conservation

Objectives:

1. To improve the quality of the environment
2. To promote sustainable natural resource utilization
3. To promote public behavioral change in environmental Management

KRA 2: Ecological Integrity of Ecosystems

1. To promote conservation and management of aquatic and terrestrial ecosystems
2. To promote conservation and management of environmentally significant areas

KRA 3: Climate Change

1. To support reduction and monitoring of Green House Gases (GHG) emissions
2. To advance implementation of climate change duties by public and private entities
3. To integrate climate risk and vulnerability assessment into all forms of assessment
4. To mobilize and deploy climate Finance
5. To support implementation of CCA, NAP, NDC, NCCAP
6. To promote programmes on Carbon Neutrality

KRA 4: Environmental Governance and Coordination

1. To strengthen the regulatory framework for environmental management
2. To Promote synergy in management of environmental functions

KRA 5: Green economy for Sustainable Development

1. To promote blue economy
2. To promote green and circular economy
3. To promote the reduction of environment risks

#### KRA 6: Institutional Capacity

1. To strengthen corporate governance
2. To enhance corporate image
3. To strengthen human capital
4. To enhance financial sustainability
5. To enhance service delivery
6. Risk Management

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

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

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

Corporate Social responsibility has become one of the standard business practices of our time. For companies committed to CSR it means kudos and enhanced overall reputation. – powerful statement of what they stand for in an often-cynical business world.

Social and environmental responsibilities are an integral part of the Authority’s practices. To ensure a harmonized and orderly approach to our CSR activities, NEMA developed its CSR policy

We have over the years strived to mainstream environmental conservation in the development of the country so as ensure the sustainable development of the country. In order to attain this, we have mainstreamed environmental sustainability in the performance contracts of all contracts of all government institutions. We visit these institutions to assist them be more environmentally conscious in their activities. This is done at the Authority’s costs.

We worked closely with the several communities especially the weak and vulnerable. Several activities to commemorate world environment events were organized and held with these communities.

*Annual Report and Financial Statements for the financial year ended June 30, 2020 for GCF Project Preparation Facility: “Devolved climate change governance to strengthen resilience of communities in target counties” under United Nations Office for Project Services (UNOPS)*

During the financial year 2019/2020, the Authority carried out the following CSR activities

- Planted 130,520 seedlings (Marsabit county-38720, Mau Forest-39,000, Gazi, Kwale-2,000 mangrove seedlings, Maasai Mara marathon- 5,000, Kajiado county(Oloitoktok)-11,800, 19,000 seedlings during the world wetlands Day in Mau Forest,(3,000 trees distributed and planted by households in Turkana ,1,000 during WDCD, 1,000 Ngong Forests,5.000 African Public Service Day,Kaptagat and sector field stations in Elgeyo Marakwet 18,000)
- Model schools identified in the 3 Counties where the Authority procured water harvesting structures, establishment of vegetable gardens and tree nurseries for the tree ESD model schools.

### **Employee Welfare**

We have reviewed NEMA human resources policies and procedures manual which guides on the recruitment process from vacancy identification to new hire induction. The policy takes into account the gender, women and disability considerations. On careers, we have a progressive career guideline . Biannual and annual staff performance appraisals are conducted and rewards and sanctions determined.

### **Market place practices**

Access to Government Procurement Opportunities(AGPO): The Authority adheres to the Presidential directive on Access to Government Procurement opportunities (AGPO) which includes youth, women and PWDs as individuals or in organized groups.

During the year , the Authority offered AGPO Kshs 76.11 Million against a target of Kshs 100 Million . This is an achievement of 75.5% . We further prequalified the registered groups as affirmative action. The three target groups were trained on government procurement procedures and requirements. The Authority also submitted to PPRA a summary of procurements allocated to the target group in the format provided in in the PPRA website and also submitted to national council for persons with disability, a summary of procurement opportunities allocated to PWDs The Authority will endeavour to collaborate with various organizations to enhance environment education with various target groups.

#### **4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES**

The *Accounting Officer* and the *Programme Coordinator* for **GCF Project Preparation Facility: “Devolved climate change governance to strengthen resilience of communities' in target counties**

are responsible for the preparation and presentation of the Project’s financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on June 30, 2020. This responsibility includes:

- (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period;
- (ii) (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project;
- (iii) (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iii) (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The *Accounting Officer* and the *Programme Coordinator* for **GCF Project Preparation Facility: “Devolved climate change governance to strengthen resilience of communities' in target counties” under United Nations Office for Project Services (UNOPS)** accept responsibility for the Project’s financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public-Sector Accounting Standards.

The *Accounting Officer* and the *Programme Coordinator* for **GCF Project Preparation Facility: “Devolved climate change governance to strengthen resilience of communities' in target counties “under United Nations Office for Project Services (UNOPS)** are of the opinion that the Project’s financial statements give a true and fair view of the state of Project’s transactions during the financial year/period ended June 30, 2020, and of the Project’s financial position as at that date. The *Accounting Officer* and the *Programme Coordinator* for **GCF Project Preparation Facility: “Devolved climate change governance to strengthen resilience of communities' in**

*Annual Report and Financial Statements for the financial year ended June 30, 2020 for GCF Project Preparation Facility: “Devolved climate change governance to strengthen resilience of communities in target counties” under United Nations Office for Project Services (UNOPS)*

**target counties” under United Nations Office for Project Services (UNOPS)** further confirm the completeness of the accounting records maintained for the Programme, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The *Accounting Officer* and the *Programme Coordinator* for **GCF Project Preparation Facility: “ Devolved climate change governance to strengthen resilience of communities' in target counties” under United Nations Office for Project Services (UNOPS)** confirm that the Programme has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Programme funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

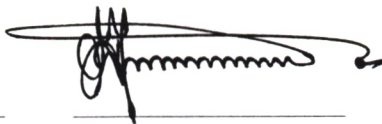
#### **Approval of the Project financial statements**

The Programme financial statements were approved by the *Accounting Officer* and the *Programme Coordinator* for **GCF Project Preparation Facility: “Devolved climate change governance to strengthen resilience of communities' in target counties” under United Nations Office for Project Services (UNOPS)** on 15<sup>th</sup> December 2020 and signed by them.



Accounting Officer

MAMO B. MAMO



Programme Coordinator

WANGARE KIRUMBA



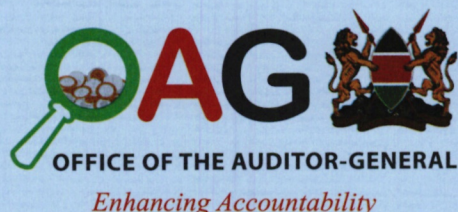
Programme Accountant

CPA OBIERE PETER OTIENO  
ICPAK Member Number 13975

**5. REPORT OF THE INDEPENDENT AUDITORS ON THE PROGRAMME**

# 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 GCF PROJECT PREPARATION FACILITY: "DEVOLVED CLIMATE CHANGE GOVERNANCE TO STRENGTHEN RESILIENCE OF COMMUNITIES' IN TARGET COUNTIES" FOR THE YEAR ENDED 30 JUNE, 2020 - NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY**

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

#### **Opinion**

I have audited the accompanying financial statements of GCF Project Preparation Facility: "Devolved Climate Change Governance to Strengthen Resilience of Communities' in Target Counties" set out on pages 1 to 15, which comprise the statement of financial assets as at 30 June, 2020, and the statement of receipts and payments, statement of cash flow and statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the GCF Project Preparation Facility: "Devolved Climate Change Governance to Strengthen Resilience of Communities' in Target Counties" as at 30 June, 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Project Cooperation Agreement No.KEN-PPF-010 dated 21 May, 2019 between the Government of Kenya and the United Nations Office for Project Services (UNOPS) and the Public Finance Management Act, 2012.

#### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the GCF Project Preparation Facility: "Devolved Climate Change Governance to Strengthen Resilience of Communities' in Target Counties" Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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*Report of the Auditor-General on GCF Project Preparation Facility: "Devolved Climate Change Governance to Strengthen Resilience of Communities' in Target Counties" for the year ended 30 June, 2020 - National Environment Management Authority*

## **Other Matter**

### **Budget Control and Performance**

The statement of comparative budget and actual amounts reflects final expenditure budget and actual on comparable basis of Kshs.34,999,147 and Kshs.733,609 respectively resulting to an under-expenditure of Kshs.34,265,538 or 98% of the budget. The under expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

### **Key Audit Matters**

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

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **Project Bank Account**

Regulation 76(1) of Public Finance Management (National Government) Regulations, 2015 states that for the purpose of disbursement of Project funds, there shall be opened and maintained a Project account for every Project at the Central Bank of Kenya unless it is exempted by the Cabinet Secretary, in writing, into which all funds shall be kept. The Act further states that, such an account shall be in the name of the Project for which it is opened and each Project shall maintain only one bank account. However, Management did not get authority to open the Project bank account but deposited the Project funds in an existing account for Adaptation Fund A/c No.1218639164 contrary to the requirements of the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

### Conclusion

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

### Basis for Conclusion

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by United Nations Office for Project Services (UNOPS), I report based on my audit, that: -

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

### Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the Project's ability to continue to sustain services, disclosing, as applicable, matters related

to applicable and using the applicable basis of accounting unless Management is aware of the intention to terminate the Project or cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015. In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in

which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the sustainability of services basis and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain 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 express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

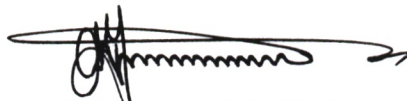
**05 January, 2021**

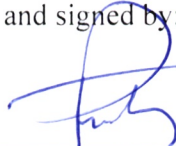
**6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2020**

	Notes	2019-2020	2018-19	Cum to date
<b>RECEIPTS</b>				
Proceeds from domestic and foreign grants	9.3	34,999,147	-	34,999,147
Exchange gain/loss			-	-
<b>Total receipts</b>		<b>34,999,147</b>		<b>34,999,147</b>
<b>PAYMENTS</b>				
Purchase of goods and services	9.4	733,609	-	733,609
Acquisition of non-financial assets				
Transfers to other government entities				
Other payments: Bank Charges				
<b>TOTAL PAYMENTS</b>		<b>733,609</b>		<b>733,609</b>
<b>SURPLUS/DEFICIT FOR THE YEAR</b>		<b>34,265,538</b>		<b>34,265,538</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 15th December 2020 and signed by:

  
Accounting officer

  
Project Coordinator

  
Programme Accountant

15/12/2020  
Date

15/12/2020  
Date


15<sup>th</sup> December 2020  
Date


ICPAK Member N0.13975

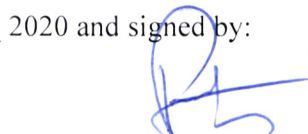
7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2020

		2019-2020	2018-2019
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	9.5	34,265,538	-
Outstanding Advances		-	-
Outstanding Imprests		-	
<b>TOTAL FINANCIAL ASSETS</b>		<b>34,265,538</b>	<b>-</b>
<b>REPRESENTED BY:</b>			
Cash and cash equivalents b/fwd			
Surplus/Deficit for the year		34,265,538	-
Prior year adjustments			
<b>NET FINANCIAL POSITION</b>		<b>34,265,538</b>	<b>-</b>

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

  
Accounting officer

  
Project Coordinator

  
Programme Accountant

15/12/2020  
Date

15/12/2020  
Date

15/12/2020  
Date


ICPAK Member No.13975


Annual Report and Financial Statements for the financial year ended June 30, 2020 for GCF Project Preparation Facility: "Devolved climate change governance to strengthen resilience of communities in target counties" under United Nations Office for Project Services (UNOPS)


8.STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2020

		2019-2020	2018-2019
	Notes		KES
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts for operating income</b>			
Proceeds from domestic and foreign grants	9.3	34,999,147	-
Exchange loss/gain			
Miscellaneous receipts			
<b>Payments for operating expenses</b>			
Purchase of goods and services	9.4	733,609	-
Transfers to other government entities			
Other payments (bank charges)			
<b>Net cash flow from operating activities</b>			
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Non-Financial Assets			
<b>Net cash flows from Investing Activities</b>			
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>34,265,538</b>	<b>-</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>		<b>-</b>	<b>-</b>
<b>Cash and cash equivalent at END of the year</b>		<b>34,265,538</b>	<b>-</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 15<sup>th</sup> December 2020 and signed by:

  
 Accounting officer  
15/12/2020  
 Date

  
 Project Coordinator  
15/12/2020  
 Date

  
 Programme Accountant  
15<sup>th</sup> December 2020  
 Date

ICPAK Member No.13975


**9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS**


Receipts/Payment Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget utilization difference	% of utilisation
	A	B	C= a+b	D	E=d-c	F=e/c %
<b>Receipts</b>						
Proceeds from domestic and foreign grants	34,999,147		34,999,147	34,999,147	0	0%
Foreign Exchange gain						
<b>Total Receipts</b>	<b>34,999,147</b>		<b>34,999,147</b>	<b>34,999,147</b>		
<b>Payments</b>						
Transfer to other Government entities	-		-	-		
Purchase of goods and supplies	34,999,147		34,999,147	733,609	34,265,538	98%
Acquisition of non-financial Assets						
Bank Charges						
<b>Total Payments</b>	<b>34,999,147</b>		<b>34,999,147</b>	<b>733,609</b>	<b>34,265,538</b>	


The absorption was low due to COVID- 19 Pandemic which hindered the stakeholders involvement in the project proposal development activities.


*Annual Report and Financial Statements for the financial year ended June 30, 2020 for GCF Project Preparation Facility: "Devolved climate change governance to strengthen resilience of communities in target counties" under United Nations Office for Project Services (UNOPS)*

Note: The significant budget utilisation/performance differences in the last column are explained in **Annex 1** to these financial statements.

  
\_\_\_\_\_  
Accounting officer

  
\_\_\_\_\_  
Project Coordinator

  
\_\_\_\_\_  
Programme Accountant

  
15/12/2020  
\_\_\_\_\_  
Date

15/12/2020  
\_\_\_\_\_  
Date

15<sup>th</sup> December 2020  
\_\_\_\_\_  
Date

ICPAK Member No.13975

## **10. NOTES TO THE FINANCIAL STATEMENTS**

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

### **9.1 Basis of Preparation**

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

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

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

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

#### **9.1.2 Reporting entity**

The financial statements are for the Integrated Programme to build resilience to climate change and adaptive capacity of vulnerable communities in Kenya under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

#### **9.1.3 Reporting currency**

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

### **9.2 Significant Accounting Policies**

#### **a) Recognition of receipts**

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

#### **• External Assistance**

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

## **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Donations and grants**

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

### **Undrawn external assistance**

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

### **b) Recognition of payments**

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

- **Use of goods and services**

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

- **Acquisition of fixed assets**

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

## **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **c) In-kind donations**

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

### **d) 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 Kenya Commercial Bank of Kenya at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprest and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**e) Accounts receivable**

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

**f) Pending bills**

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

**g) Budget**

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

A high-level assessment of the Project’s actual performance against the comparable budget for the financial year/period under review has been included in an annex1 to these financial statements.

**h) Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the

exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of receipts and payments.

**i) Comparative figures**

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

**j) Subsequent events**

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2020

**k) Errors**

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. Restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

### 9.3 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the 12 months to 30 June 2020 we received grants from Green Climate Fund as below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Total amount in Kshs	
				FY 2019/20	FY 2018/19
				USD	Kshs
Grants Received from Multilateral Donors (International Organizations)					
Green Climate Fund Secretariat	25-10-2019	352,640	34,999,147	34,999,147	-
<b>Total</b>		<b>352,640</b>	<b>34,999,147</b>	<b>34,999,147</b>	<b>-</b>

#### 9.4 PURCHASE OF GOODS AND SERVICES

	FY 2019/20			FY 2018/19	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Utilities, supplies and services	-	-	-	-	
Domestic travel and subsistence	254,800	-	254,800	-	254,800
Foreign travel and subsistence	-	-	-		-
Training payments	-	-	-		
Hospitality supplies and services	71,689		71,689	-	71,689
Printing, Advertising & services	407,120	-	407,120	-	407,120
Routine maintenance	-	-	-	-	-
<b>Total</b>	<b><u>733,609</u></b>	<b><u>=</u></b>	<b><u>733,609</u></b>	<b><u>=</u></b>	<b><u>733,609</u></b>

**9.5 Bank Accounts**

<b>CASH AND CASH EQUIVALENT C/FWD</b>			
<b>Banks Accounts</b>			
	<b>2019/20</b>		<b>2018/19</b>
Local Currency Accounts Kshs account (A/c No.1218639164)	34,265,538		-
<b>Total bank account balances</b>	<b>34,265,538</b>		<b>-</b>
Outstanding Advances		-	
Outstanding imprest	-		
<b>Cash &amp; cash equivalent C/FWD</b>	<b>34,265,538</b>		

*Annual Report and Financial Statements for the financial year ended June 30, 2020 for GCF Project Preparation Facility: “Devolved climate change governance to strengthen resilience of communities in target counties” under United Nations Office for Project Services (UNOPS)*

**9.6 Outstanding imprest**

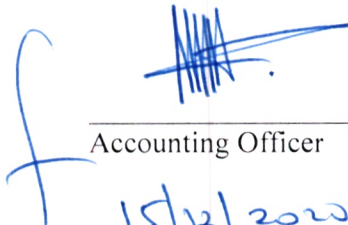
There was no outstanding imprest as at 30<sup>th</sup> June 2020

**10.OTHER IMPORTANT DISCLOSURES**

*Annual Report and Financial Statements for the financial year ended June 30, 2020 for GCF Project*  
Preparation Facility: "Devolved climate change governance to strengthen resilience of communities in target counties "under United Nations Office for Project Services (UNOPS)

### 11.PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATION

This is the first audit of the program.

  
\_\_\_\_\_  
Accounting Officer  
15/12/2020  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Project Coordinator  
15/12/2020  
\_\_\_\_\_  
Date

**ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

	Final Budget	Actual on Comparable Basis	Budget Utilisation Variance	% of Utilisation	Comments on Variance
	A	B	C=a-b	D=c/a %	
<b>RECEIPTS DURING THE YEAR/PERIOD</b>					
Proceeds from domestic and foreign grants	34,999,147.90	34,999,147		2.1%	COVID 19 pandemic hindered stakeholders engagement
Miscellaneous receipts					
<b>Total receipts</b>	<b>34,999,147</b>	<b>34,999,147</b>			
<b>PAYMENTS DURING THE YEAR/PERIOD</b>					
Transfer to other government Entities	-	-	-	-	
Purchase of goods and services	733,609	733,609	733,609	2.1%	
Acquisition of Assets					
Bank charges					
<b>Total payments</b>	<b>733,609</b>	<b>733,609</b>	<b>733,609</b>	<b>733,609</b>	

**APPENDICES**

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations

*Annual Report and Financial Statements for the financial year ended June 30, 2020 for GCF Project Preparation Facility: “Devolved climate change governance to strengthen resilience of communities in target counties” under United Nations Office for Project Services (UNOPS)*

