

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

**NEMA-GCF READINESS AND
PREPARATORY SUPPORT:
NEMA CAPACITY STRENGTHENING
PROGRAMME TOWARDS ACCESSING
CLIMATE FINANCE FROM
GREEN CLIMATE FUND -
CREDIT NUMBER KEN-RS-003**

**FOR THE YEAR ENDED
30 JUNE, 2023**

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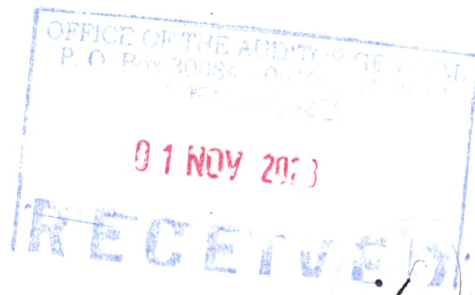
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TABLED
BY:

Hon Owen Bayo, CS, MP
Deputy majority leader

A. Simbuka



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**PROJECT NAME: NEMA-GCF READINESS AND PREPARATORY SUPPORT:
“NEMA CAPACITY STRENGTHENING PROGRAMME TOWARDS
ACCESSING CLIMATE FINANCE FROM GREEN CLIMATE FUND”**

**IMPLEMENTING ENTITY: NATIONAL ENVIRONMENT MANAGEMENT
AUTHORITY**

PROJECT GRANT/CREDIT NUMBER: KEN-RS-003

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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

NEMA-GCF Readiness and Preparatory Support: “NEMA Capacity Strengthening Programme Towards Accessing Climate Finance From Green Climate Fund”
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NEMA-GCF Readiness and Preparatory Support: “NEMA Capacity Strengthening Programme Towards Accessing Climate Finance From Green Climate Fund”

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1. Acronyms and Glossary of Terms

AGPO	Access to Government Procurement Opportunities
COVID-19	Coronavirus Disease 2019
CPA (K)	Certified Public Accountant (Kenya)
CSR	Corporate Social Responsibility
EMCA	Environmental Management Co-ordination Act
EPI	Environmental Performance Index
ESMS	Environmental and Social Management System
ESS	Environmental and Social Safeguards
FY	Financial Year
GCF	Green Climate Fund
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
KSHS	Kenya Shillings
NEMA	National Environment Management Authority
NT	National Treasury
OSHA	Occupational Safety and Health Act
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
UNOPS	United Nations Office for Project Services
USD	United States Dollar

2. Project Information and Overall Performance

2.1 Name and registered office

Name

The project's official name is GCF Readiness and Preparatory Support: “NEMA Capacity Strengthening programme towards accessing climate finance from Green Climate Fund” under UNOPS

Objective

The key objective of the project is to build and strengthen NEMA's institutional capacity as an accredited entity to GCF.

Address

The project headquarters offices are at:

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

Telephone: (254) 724253398 / (254) 723363010 / (254) 735013046

E-mail: dgnema.go.ke

Website: www.nema.go.ke

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	The project start date is 26.06.2019
Project End Date:	The project end date is 25.12.2022
Project Manager:	The project manager is Ms. Wangare Kirumba
Project Sponsor:	The project sponsor is Green Climate Fund
Grant Manager	UNOPS

2.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the National Treasury (NT) which is the National Designated Authority under the Green Climate Fund, and the Ministry of Environment and Forestry, the line ministry of the Accredited Entity NEMA.
Project number	KEN-RS-003
Strategic goals of the project	<ol style="list-style-type: none"> 1. To address accreditation recommendation (conditions) which relate to Environment and Social Management System, and Gender policy and action plan. 2. To build requisite capacity and readiness at NEMA for GCF programming and implementation. 3. To Support NEMA’s accreditation upgrade to grant award application
Summary of Project Strategies for	During this reporting period of the project titled “ <i>KEN-RS-003 - NEMA capacity strengthening programme towards accessing climate finance from the Green Climate Fund</i> ” the main achievements are as follows:

NEMA-GCF Readiness and Preparatory Support: “NEMA Capacity Strengthening Programme Towards Accessing Climate Finance From Green Climate Fund”

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<p>achievement of strategic goals</p>	<ul style="list-style-type: none"> • Internal approvals have been granted for review sessions scheduled with NEMA officials and the consultant to establish gaps existing in NEMA towards the on granting accreditation application. The review sessions planned for the month of July 2023 • Internal approvals have been granted for the trainings of the Proposed Executing Entities and NEMA on GCF Gender Policy, Environment Social Management Systems and GCF policies. The trainings are planned for the month of July 2023 • The consultancy to Deliver a comprehensive ESMS system for NEMA towards compliance with GCF safeguards was completed • The consultancy to Review of NEMAs Gender Policy to assess harmony with GCF Gender Policy was completed
<p>Other important background information of the project</p>	<p>NEMA as a Direct Access Entity is responsible to lead the implementation of the Readiness 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 Polices 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 Readiness support. This includes developing all relevant terms of reference, procuring the services required, selecting appropriate</p>

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	<p>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 fashion.</p> <p>NEMA has engaged on proposal design process, without significant success in relation to securing approvals, thereby necessitating the need for readiness technical grant. NEMA has identified certain aspects as the existing barriers to its ability to operationalise its GCF accreditation and meet the aspirations of the Kenya Government and the Green Climate Fund on working towards low carbon growth and Climate Change resilience building.</p>
<p>Areas that the project was formed to intervene</p>	<p>The proposed readiness programme seeks to address the following gaps;</p> <ul style="list-style-type: none"> (i) Operational capacity Constraints, (ii) Knowledge and institutional policy gaps on GCF ESS (iii) Knowledge gap/inadequate technical capacity on GCF gender policy. (iv) GCF programme design Capacities (v) Finances to meet the costs of requisite programme design studies and stakeholder consultation processes
<p>Project duration</p>	<p>The project started on 26th June 2019 and was expected to run until 25th June 2021.</p> <p>The project was granted a six-month extension</p>

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	<p>(Amendment No.1) with the amended grant expiry date as 25th December 2021.</p> <p>The project was granted a 12-month extension to 25th December 2022 (Amendment No.2)</p> <p>The project was granted a 12-month extension to 25th December 2023(Amendment No.3)</p>
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2.4 Bankers

The following are the bankers for the current year:

- (i) Kenya Commercial Bank Ltd (KCB)

Gateway House Branch

P.O. Box 27618-00506, Nairobi

Account Name: NEMA Adaptation Fund USD Account/NEMA Adaptation Fund

Kshs Account

Account No.1165595192/ 1218639164

2.5 Independent Auditor

The project is audited by:

Auditor General

Office of Auditor General

P.O. Box 30084-00100

Nairobi, Kenya

Project Information and Overall Performance (Continued)

2.6 Roles and Responsibilities

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

Names	Title designation	Key qualification	Responsibilities
Mamo B Mamo, EBS	Director General	Masters Environmental Education	Overall programme direction and leadership
CPA Kennedy Ochuka	Director Corporate Services	MBA, CPA(K)	Overall programme financial management
Wangare Kirumba	Project Coordinator	Masters EPM	Overall Programme Coordination
John Wafula	Deputy Project Coordinator	Masters EPM	Program management
Sarah Muthoni	Knowledge Management Officer	Masters Community Development	Knowledge management
Anne Gateru	Program Officer	Masters Project Management	Support program management
CPA Peter Obiere	NIE Accountant	MBM,BBM, CPA(K)	Financial Management and accounting

Project Information and Overall Performance (Continued)

2.7 Funding summary

The Project was initially for a duration of two years from June 2019 to June 2021 with an approved budget of USD 431,060 equivalent to Kshs 43,106,000. However, due to COVID-19 pandemic the donor has granted a no cost extension to 25th December 2022. Another no cost extension was granted up to 25th December 2023. Green Climate Fund disbursed USD 258,636 equivalent to Kshs 25,669,350 being first tranche and then another USD 152,424 equivalent to Kshs 18,138,456. The absorption is now 77.63%. We expect the balance to be sent to NEMA before the project is completed.

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment		Amount received to date - (30 th June 2023)		Undrawn balance to date	
	USD	Kshs	USD	Kshs	USD	Kshs
(i) Grant	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
Green Climate Fund	431,060	46,167,806	411,060	43,807,806	20,000	2,360,000
Total	431,060	46,167,806	411,060	43,807,806	20,000	2,360,000

Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date - (30 th June 2023)		Cumulative amount paid to date - (30 th June 2023)		Unutilised balance to date (30 th June 2023)	
	USD (A)	Kshs (A')	USD (B)	Kshs (B')	USD (A)-(B)	Kshs (A')-(B')
(i) Grant						
Green Climate Fund	411,060	43,807,806	319,116	33,172,681	91,944	10,635,125
Total	411,060	43,807,806	319,116	33,172,681	91,944	10,635,125

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

NEMA has received a total of USD 411,060 equivalent to Kshs 43,807,806, being the programme’s first and second tranches. To date, NEMA has cumulatively spent Kshs 33,172,681 representing an absorption rate of 77.63%.

NEMA has since sought 3 No Cost Extensions as outlined; The project was granted a six-month extension (Amendment No.1) with the amended grant expiry date as 25th December 2021. The project was granted a second 12-month extension to 25th December 2022 (Amendment No.2). The project was granted a third 12-month extension to 25th December 2023(Amendment No.3).

To date the projects achievements are as follows;

A) Three (3) Readiness consultants procured, Contracts awarded and are ongoing;

- Undertake gap analysis for NEMA towards on-granting accreditation application and Delivering Training on GCF
- Developing Environmental and Social Management System (ESMS) for NEMA
- Developing Gender Mainstreaming Action Plan for NEMA

The following has so far been achieved;

1. Inception reports have been submitted and approved
2. Draft reports on ESMS, Gender Mainstreaming Action Plan, and On-Granting Accreditation have been submitted and reviewed.
3. Four (4) regional training workshops for NEMA staff working in the 47 counties on ESMS, Gender mainstreaming, and GCF have been undertaken
4. NEMA staff have been supported to undertake relevant expert courses

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5. Final reports reviewed and approved on consultancies to develop NEMA Environmental and Social Management System (ESMS) and Gender Mainstreaming Action Plan have been submitted to NEMA for review.
6. The consultancy to Deliver a comprehensive ESMS system for NEMA towards compliance with GCF safeguards was completed
7. The consultancy to Review of NEMAs Gender Policy to assess harmony with GCF Gender Policy was completed
8. Internal approvals have been granted for review sessions scheduled with NEMA officials and the consultant to establish gaps existing in NEMA towards the on granting accreditation application. The review sessions planned for the month of July 2023
9. Internal approvals have been granted for the 2 trainings of the Proposed Executing Entities and NEMA on GCF Gender Policy, Environment Social Management Systems and GCF policies. The trainings are planned for the month of July 2023

2.9 Summary of Project Compliance:

The GCF bank account has not been opened. NEMA is still following up the authority to open the bank account with the National Treasury.

3. Statement of Performance against Project’s Predetermined Objectives

Introduction

The key development objectives of NEMA GCF Readiness and Preparatory support programme are:

- a. To address accreditation recommendation (conditions) which relate to Environment and Social Management System, and Gender policy and action plan.
- b. To build requisite capacity and readiness at NEMA for GCF programming and implementation.
- c. To Support NEMA’s accreditation upgrade to grant award application.

Progress on attainment of strategic development objectives

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

Below we provide the progress on attaining the stated objectives:

No.	Project	Objective	Outcome	Indicator	Performance
1.	GCF Readiness and Preparatory Support: "NEMA Capacity Strengthening programme towards accessing climate finance from Green Climate Fund"	<p>1. To address accreditation recommendation (conditions) which relate to Environment and Social Management System, and Gender policy and action plan.</p> <p>2. To build requisite capacity and readiness at NEMA for GCF programming and implementation.</p> <p>3. To Support NEMA's accreditation upgrade to grant award application</p>	NEMA's capacity as an accredited entity to GCF strengthened	<p>No. of consultants procured</p> <p>No. of trainings conducted</p>	<p>In FY 2022/ 2023;</p> <p>2 consultancies completed –</p> <p>1- The consultancy to Deliver a comprehensive ESMS system for NEMA towards compliance with GCF safeguards was completed and</p> <p>2- The consultancy to Review of NEMAs Gender Policy to assess harmony with GCF Gender Policy was completed</p> <p>Internal approvals</p>

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					<p>have been granted for review sessions to establish gaps existing in NEMA towards the on-granting accreditation application.</p> <p>Internal approvals have been granted for the 2 trainings of the Proposed Executing Entities and NEMA on GCF Gender Policy, Environment Social Management Systems and GCF policies.</p>
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4. Environmental and Sustainability reporting

The National Environment Management Authority (NEMA) is the principal instrument of Government for the implementation of all policies relating to environment. Below is an outline of the organisation’s policies and activities that promote sustainability.

1. Sustainability strategy and profile

The Constitution of Republic of Kenya has elevated right to clean environment as a basic human right. Delivery of Environment services is the core mandate of NEMA, and more so efficient and effective delivery of Environmental services. NEMA operates within the environmental principles as enshrined in EMCA No.8 of 1999, such as the principles of Environmental sustainability, precautionary principle, polluter pay principle and the Principle of public participation. The Authority, in its Sustainability Policy has identified twelve key sectors within and external to the Authority that requires major focus in order to attain mainstreaming of environmental sustainability in NEMA operations. The sectors includes: Transport sector, Procurement and tender of services, Procurement of equipment, Disposal of NEMA assets, Energy supply and use, Water supply and use, Waste Disposal, Climate change and carbon footprints, Guidelines and regulations, ISO Standard operating procedures, Management systems and Staff attitude, both for NEMA staff and regulated organizations.

2. Environmental performance

The Authority has an Environmental Sustainability Policy that informs mainstreaming of Environmental and Climate Change in NEMA operations, internally as well as externally with its client.

Policy Objectives

- Guide NEMA in mainstreaming Environmental sustainability into its operations
- Customize internal operation of the Authority in order to reduce its Carbon footprints and to contribute to greening NEMA.

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- Assist NEMA to mobilize its departments to review their ISO standards operating procedures (SOP), tools and instruments and introduce elements that enhances environmental sustainability and climate change compliant
- Assist NEMA to examine their tools, instruments of engagement with the partners, stakeholders and regulated constituencies in order to integrate aspects that demonstrate environmental sustainability and climate change compliance

The Kenya National Environmental Performance Index (KEPI) is one of the Authority’s success stories in environmental sustainability. KEPI is a new environmental management frontier championed by the National Environment Management Authority (NEMA) to lead to further creation of opportunities in environmental management knowledge, skills and experience at National and County levels. This report presents the baseline results for the KEPI and County EPIs’. The report was developed in close consultation with the line ministries, government departments, government agencies, County officers and private sector institutions.

Purpose and Objectives of the KEPI

The EPI provides a tool for continually assessing progress towards established targets for priority setting and potentially for resource allocation. This tool assists the MDAs and line ministries to lobby decision makers for appropriate resource allocation in underperforming areas. Other objectives of the EPI are to:

1. Be part of a knowledge management system aimed to inform future policy and programming, thereby contributing to the promotion of policy dialogue
2. Acts as a tool for enhancing compliance and enforcement
3. Assist in building collaborative partnerships between the public and the private sector
4. Act as a supportive tool for capacity development

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The KEPI also evaluated all the 47 counties based on County indicators agreed upon with stakeholders.

Other milestones the Authority has made in environmental sustainability include;

1. Reviewing of EMCA, 1999 so as to strengthen the regulatory framework for Environmental Management,
2. Implementation on the Ban of single use plastic bag
3. Green points design and construction incorporated aspects such as rainwater harvesting, wastewater recycling technologies, low energy consumption, among other features in order to practically interpret the green economy concept in our context here in Kenya.
4. Development of environmental sustainability curriculum for internal and external clients training
5. Implementation of the pollution control strategy for Nairobi River Basin

Challenges

Issues of environmental management in Kenya such as air pollution, climate change impacts, water pollution, biodiversity loss, poor waste management, invasive species, deforestation, encroachment of riparian reserves and wetland ecosystems, poor land use planning and limited knowledge on environmental protection continue to pose a big challenge to the authority's mandate. Nationally, resource allocation for environment sector is a key inhibiting factor for effective management of environment.

3. Employee welfare

NEMA has human resource 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. Annual staff performance

appraisals are conducted and rewards and sanctions determined. Capacity building of staff is through formal and on job trainings. NEMA is working on safety policy which will be in compliance with Occupational Safety and Health Act of 2007, (OSHA)

4. Market place practices-

a) Responsible Supply chain and supplier relations-

The project ensures all procurement activities are carried out in accordance with the Government of Kenya public procurement law and regulations. The Authority (NEMA) adheres to the Presidential directive on Access to Government Procurement Opportunities (AGPO) which ensures youth, women and people living with disabilities as individuals or in organized groups benefit. The Authority also submitted to PPRA a summary of procurements allocated to the target group in the format provided in the PPRA website, www.tenders.go.ke and also submitted to National Council for Persons with Disabilities (NCPWD) a summary of procurement opportunities allocated to Persons with Disabilities (PWD).

All suppliers are paid within reasonable time after executing their contractual obligations.

b) Responsible ethical practices

The project is guided by NEMA anti-corruption policy. Adherence to NEMA core values ensures ethical and responsible political involvement.

c) Regulatory impact assessment

The project is committed to promoting transparency and accountability this ensures citizen and stakeholder’s rights are safeguarded.

NEMA-GCF Readiness and Preparatory Support: “NEMA Capacity Strengthening Programme Towards Accessing Climate Finance From Green Climate Fund”

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5. Community Engagements

The Authority's CSR program is focused on creating and maintaining a strong bond with the community and its stakeholders. To this end, the Authority's CSR initiatives provide communities with opportunities for engagement that touch on the three (Environmental, Economic and Social) broad CSR pillars.

During the financial year, the Authority undertook the following CSR activities;

- Donation of a 10,000 litres water tank to Emborogo Children's home in Kisii County and capacity building on climate change, waste management and tree planting in two schools in Murayu primary in Kakamega and Mikayu primary in Bungoma.
- Planted 2,500 seedlings at Gambela and fenced 40% of Lake Kisima.
- Donated food items to a children's home in Homabay County, 17 tanks, 105 beehives and 8 improved goats to communities in Mwingi during WED & WDDD 2023

5. Statement of Project Management responsibilities

The Director General and the Programme Coordinator for GCF Readiness and Preparatory Support: “NEMA capacity strengthening programme towards accessing climate finance from the Green Climate Fund” 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 ended on June 30, 2023.

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

The Director General and the Programme Coordinator for GCF Readiness and Preparatory Support: “NEMA capacity strengthening programme towards accessing climate finance from the Green Climate Fund” 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 Director General and the Programme Coordinator for GCF Readiness and Preparatory Support: “NEMA capacity strengthening programme towards accessing climate finance from the Green Climate Fund” 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 ended June 30, 2023, and of the Project’s financial position as at that date. The Director General and the Programme Coordinator for GCF Readiness and Preparatory Support: “NEMA capacity

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strengthening programme towards accessing climate finance from the Green Climate Fund" further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The Director General and the Programme Coordinator for GCF Readiness and Preparatory Support: "NEMA capacity strengthening programme towards accessing climate finance from the Green Climate Fund" confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project Financial Statements

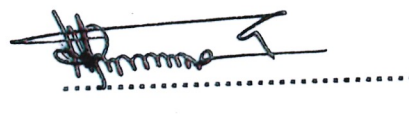
The Project financial statements were approved by The Director General and the Programme Coordinator for GCF Readiness and Preparatory Support: "NEMA capacity strengthening programme towards accessing climate finance from the Green Climate Fund" on _____ 2023 and signed by:



Mamo B. Mamo, EBS
Director General



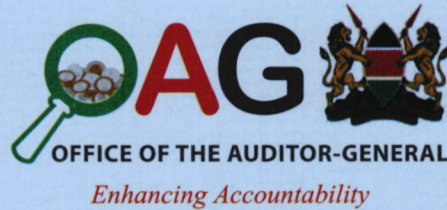
Wangare Kirumba
Programme Coordinator



CPA Kennedy Ochuka
Director Corporate Services
ICPAK Member No: 3872

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NEMA-GCF READINESS AND PREPARATORY SUPPORT: NEMA CAPACITY STRENGTHENING PROGRAMME TOWARDS ACCESSING CLIMATE FINANCE FROM GREEN CLIMATE FUND - CREDIT NUMBER KEN-RS-003 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 the purpose.
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of NEMA-GCF Readiness and Preparatory Support: NEMA Capacity Strengthening Programme Towards Accessing

Report of the Auditor-General on GCF Readiness and Preparatory Support NEMA Capacity Strengthening Programme Towards Accessing Climate Finance from Green Climate Fund - Credit Number KEN-RS-003 for the year ended 30 June, 2023

Climate Finance from Green Climate Fund Credit Number KEN-RS-003 for the year ended 30 June, 2023 set out on pages 1 to 28, which comprises of the statement of financial assets as at 30 June, 2023 and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and summary of significant accounting policies and other explanatory information in accordance with 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 NEMA-GCF Readiness and Preparatory Support NEMA Capacity Strengthening Programme Towards Accessing Climate Finance from Green Climate Fund Credit Number KEN-RS-003 as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Cash Basis), the Public Finance Management Act, 2012 and comply with the Project Cooperation Agreement No KEN-RS-003 dated 21 May, 2019 between the Government of Kenya and the United Nations Office for Project Services (UNOPS).

Basis for Opinion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the NEMA-GCF Readiness and Preparatory Support: NEMA Capacity Strengthening Programme Towards Accessing Climate Finance from Green Climate Fund - Credit Number KEN-RS-003 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.

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.19,459,558 and Kshs.8,824,433 respectively resulting to an under-funding of Kshs.10,635,125 or 55% of the budget. Similarly, the fund had an expenditure budget of Kshs.19,459,558 but expended Kshs.8,824,433 resulting in an under-expenditure of Kshs.10,635,125 or 55% of the budget. The underfunding and under-expenditure affected the planned activities and programs and may have impacted negatively on service delivery.

2. Unresolved Prior Year Issues

In the audit of the previous year an issue was raised under the Report on Lawfulness and Effectiveness in Use of Public Resources. The Management has however, not resolved the issue or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board template.

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 (ISSAIs) 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, I confirm that nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required between the Government of Kenya and the 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 those records 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 the Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My

conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

02 November, 2023

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

	Note	2022-2023		2021-2022		Kshs.	Kshs.	Kshs.	Kshs.	Cumulative to-date (From inception)
		Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payment controlled by the entity					
Receipts		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	USD
Proceeds from domestic and foreign grants	1	18,138,456	-	18,138,456	-	-	-	43,807,806	411,060	
Total receipts		18,138,456	-	18,138,456	-	-	-	43,807,806	411,060	
Payments										
Purchase of goods and services	2	8,824,433	-	8,824,433	18,589,321	-	18,589,321	33,172,681	319,116	
Total payments		8,824,433	-	8,824,433	18,589,321	-	18,589,321	33,172,681	319,116	
Surplus/ (deficit)		9,314,023	-	9,314,023	(18,589,321)	-	(18,589,321)	10,635,125	91,944	

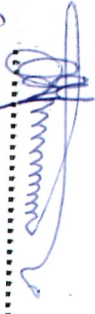
NEMA-GCF Readiness and Preparatory Support: "NEMA Capacity Strengthening Programme Towards Accessing Climate Finance From Green Climate Fund"

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

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



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Mamo B. Mamo, EBS
Director General



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Wangare Kirumba
Programme Coordinator



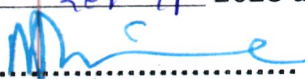
.....
CPA Kennedy Ochuika
Director Corporate Services
ICPAK Member No: 3872

NEMA-GCF Readiness and Preparatory Support: "NEMA Capacity Strengthening Programme Towards Accessing Climate Finance From Green Climate Fund"
Annual Report and Financial Statements For the financial year ended June 30, 2023

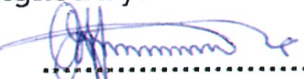
8. Statement of Financial Assets as at 30th June 2023

Description	Note	2022-2023		2021-2022	
		Kshs	USD	Kshs	USD
Financial Assets					
Cash and Cash equivalents					
Bank Balances	3.A	10,635,125	91,944	1,321,102	13,311
Total Cash and Cash equivalents		10,635,125	91,944	1,321,102	13,311
Represented By					
Fund Balance B/fwd.	4	1,321,102	13,311	19,910,423	200,611
Surplus/(Deficit) for the Year		9,314,023	78,633	(18,589,321)	(187,300)
Net Financial Position		10,635,125	91,944	1,321,102	13,311

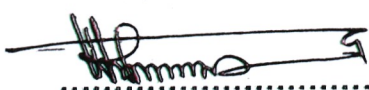
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 26/09/2023 and signed by:



Mamo B. Mamo, EBS
Director General



Wangare Kirumba
Programme Coordinator



CPA Kennedy Ochuka
Director Corporate Services
ICPAK Member No: 3872

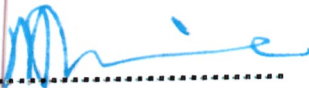
NEMA-GCF Readiness and Preparatory Support: "NEMA Capacity Strengthening Programme Towards Accessing Climate Finance From Green Climate Fund"
Annual Report and Financial Statements For the financial year ended June 30, 2023

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

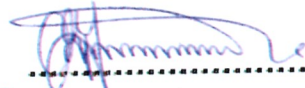
Description	Notes	2022-2023		2021-2022	
		Kshs	USD	Kshs	USD
Cashflow from operating activities					
Receipts					
Proceeds from domestic and foreign grants	1	18,138,456	152,424	-	-
Total receipts		18,138,456	152,424	-	-
Payments					
Purchase of goods and services	2	8,824,433	73,791	18,589,321	187,300
Total Payments		8,824,433	73,791	18,589,321	187,300
Net receipts/(payments)		9,314,023	78,633	(18,589,321)	(187,300)
Adjustments during the year		-	-	-	-
Net cash flow from operating activities		9,314,023	78,633	(18,589,321)	(187,300)
Cashflow from investing activities					
Acquisition of non-financial assets		-	-	-	-
Net cash flows from investing activities		-	-	-	-
Net cash flow from financing activities					
Net increase in cash and cash equivalents		9,314,023	78,633	(18,589,321)	(187,300)
Cash and cash equivalent at BEGINNING of the year		1,321,102	13,311	19,910,423	200,611
Cash and cash equivalent at END of the year		10,635,125	91,944	1,321,102	13,311

NEMA-GCF Readiness and Preparatory Support: "NEMA Capacity Strengthening Programme Towards Accessing Climate Finance From Green Climate Fund"
Annual Report and Financial Statements For the financial year ended June 30, 2023

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 26/09/ 2023 and signed by:



.....
Mamo B. Mamo, EBS
Director General



.....
Wangare Kirumba
Programme Coordinator



.....
CPA Kennedy Ochuka
Director Corporate Services
ICPAK Member No: 3872

NEMA-GCF Readiness and Preparatory Support: "NEMA Capacity Strengthening Programme Towards Accessing Climate Finance From Green Climate Fund"

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

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


Receipts	Original Budget	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
Proceeds from domestic and foreign grants (balance b/d)	19,459,558	19,459,558	8,824,433	10,635,125	45%
Total Receipts	19,459,558	19,459,558	8,824,433	10,635,125	45%
Payments					
ESMS system for NEMA towards compliance with GCF safeguards	499,424	499,424	-	499,424	0%
Review existing systems procedures	900,000	900,000	-	900,000	0%
Train and induct 30 NEMA staff from 47 field officers on GCF/NEMA ESS	943,813	943,813	-	943,813	0%
Train identified EEs on GCF/NEMA ESS	900,000	900,000	-	900,000	0%
Review of NEMA gender policy to assess harmony with GCF gender policy	-	-	-	-	0%
Develop tools for actionalizing provisions of gender policy	1,000,000	1,000,000	770,000	230,000	77%
Train NEMA field staff on NEMA and GCF gender policy	1,214,858	1,214,858	1,201,658	13,200	99%
Train proposed executing NEMA and entities on GCF	1,000,000	1,000,000	1,000,000	-	100%

NEMA-GCF Readiness and Preparatory Support: "NEMA Capacity Strengthening Programme Towards Accessing Climate Finance from Green Climate Fund"


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

gender policy							
Expert courses for relevant NEMA staff	2,000,000		2,000,000	1,780,176	219,824	89%	
Train NEMA county officers on GCF policies and processes	1,500,000		1,500,000	-	1,500,000	0%	
Training on ME systems in line with the nationally set MRV systems	1,000,000		1,000,000	-	1,000,000	0%	
Undertake gap analysis for NEMA towards on-granting accreditation application	500,000		500,000	125,801	374,199	25%	
Development of policies on on-granting accreditation application	1,000,000		1,000,000	198,342	801,658	20%	
Train NEMA on on-granting mechanism	927,499		927,499	927,499	-	100%	
Project management cost	6,073,964		6,073,964	2,820,957	3,253,007	46%	
	19,459,558	19,459,558	19,459,558	8,824,433	10,635,125	45%	


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



Mamo B. Mamo, EBS
Director General



Wangare Kirumba
Programme Coordinator



CPA Kennedy Ochuka
Director Corporate Services
 ICPAK Member No: 3872

11. Significant Accounting Policies

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

a) Statement of compliance and basis of preparation

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

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

b) Reporting entity

The financial statements are for GCF Readiness and Preparatory Support: "NEMA capacity strengthening programme towards accessing climate finance from the Green Climate Fund". The financial statements are for the reporting entity GCF Readiness and Preparatory Support: "NEMA capacity strengthening programme towards accessing climate finance from the Green Climate Fund" as required by Section 81 of the PFM Act, 2012 .

c) Reporting currency

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

NEMA-GCF Readiness and Preparatory Support: “NEMA Capacity Strengthening Programme Towards Accessing Climate Finance From Green Climate Fund”
Annual Report and Financial Statements For the financial year ended June 30, 2023

d) Recognition of receipts

The GCF Readiness and Preparatory Support: “NEMA capacity strengthening programme towards accessing climate finance from the Green Climate Fund” recognises all receipts from the various sources when the event occurs, and the related cash has been received.

i) Transfers from the Exchequer

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

External Assistance

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

ii) Other receipts

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

iii) Donations and grants

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

Significant Accounting Policies (continued)

iv) Proceeds from borrowing.

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

v) Undrawn external assistance

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

e) Recognition of payments

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

i) Compensation to employees

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

ii) Use of goods and services

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

Significant Accounting Policies (continued)

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

v) Acquisition of fixed assets

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

f) In-kind donations

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

Significant Accounting Policies (continued)

g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

h) Restriction on cash

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

i) Imprests and Advances

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

Significant Accounting Policies (Continued)

j) Contingent Liabilities

A contingent liability is:

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

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

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

Significant Accounting Policies (Continued)

k) Contingent Assets

The GCF Readiness and Preparatory Support: “NEMA capacity strengthening programme towards accessing climate finance from the Green Climate Fund” 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 GCF Readiness and Preparatory Support: “NEMA capacity strengthening programme towards accessing climate finance from the Green Climate Fund” in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset’s value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

l) Pending bills

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

m) Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project’s budget was approved as required by Law and

NEMA-GCF Readiness and Preparatory Support: “NEMA Capacity Strengthening Programme Towards Accessing Climate Finance From Green Climate Fund”
Annual Report and Financial Statements For the financial year ended June 30, 2023

National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation. A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been *included in an annex to these financial statements.*

n) Third party payments

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

and are disclosed in the payment to third parties' column in the statement of receipts and payments.

o) Exchange rate differences

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

Significant Accounting Policies (Continued)

p) Comparative figures

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

q) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 20XX.

r) Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). There were no prior year adjustments Explanations and details of these prior period adjustments for the year ended June 30, 2023.

11. Notes to the Financial Statements

1. Proceeds From Domestic and Foreign Grants

NEMA did not receive any funds from GCF during the financial period to 30 June 2023.

Name of Donor	Date received	Amount received in donor currency	2022-2023				Total amount	2021-2022	2020-2021	Cumulative to date
			Grants received in cash	Grants received as direct payment *	Grants received in kind	Total Amount				
		USD	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
Grants Received from Multilateral Donors (International Organizations)										
Green Climate Fund Secretariat	12-Sep-22	152,424	18,138,456	-	-	18,138,456	-	25,669,350	43,807,806	
Total		152,424	18,138,456	-	-	18,138,456	-	25,669,350	43,807,806	

NEMA-GCF Readiness and Preparatory Support: "NEMA Capacity Strengthening Programme Towards Accessing Climate Finance From Green Climate Fund"

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

Notes to the Financial Statements (Continued)

2. Purchase of Goods and Services

Description	2022-2023			2021-2022		Cumulative to-date	
	Payments made in Cash Kshs	Payments made by third parties Kshs	Total payments Kshs	Total payments Kshs	Kshs	USD	
Utilities, supplies and services		-	-		199,400	2,009	
Domestic travel and subsistence	231,000	-	231,000	10,624,200	13,240,850	133,412	
Foreign travel and subsistence	-	-	-		1,269,506	12,791	
Printing, advertising, and information supplies	-	-	-		259,769	2,617	
Training Payments	7,496,733		7,496,733	5,279,473	13,010,837	119,813	
Hospitality supplies and services	326,700	-	326,700	2,685,648	3,090,348	30,591	
Specialized materials and services	770,000	-	770,000		2,101,971	19,891	
Total	8,824,433	-	8,824,433	18,589,321	33,172,681	319,116	

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Notes to the Financial Statements (Continued)

3. Cash And Cash equivalents

Description	2022-2023		2021-2022	
	Kshs	USD	Kshs	USD
Bank accounts (Note 3A)	10,635,125	91,944	1,321,102	13,311
Cash in hand	-	-	-	-
Cash equivalents (short-term deposits)	-	-	-	-
Total	10,635,125	91,944	1,321,102	13,311

The GCF Readiness and Preparatory Support: “NEMA capacity strengthening programme towards accessing climate finance from the Green Climate Fund” has one project accounts as listed below:

3. A Bank Accounts

Project Bank Accounts

Project Bank Accounts

Details	2022-2023		2021-2022	
	Kshs	USD	Kshs	USD
Local currency bank account				
Kenya Commercial Bank [A/c No1218639164]	10,635,125	91,823	1,321,102	13,311
Total bank account balances	10,635,125	91,823	1,321,102	13,311

Special Deposit Account

The Project does not have a special deposit Account

3. B Cash in hand

The project does not have cash-in-hand operations.

3. C Cash equivalents (short-term deposits)

The project does not have short-term deposits.

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Notes to the Financial Statements (Continued)

4. Fund Balance Brought Forward

Description	2022-2023	2021-2022
	Kshs	Kshs
Bank accounts	10,635,125	1,321,102
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
Deposits and retention	-	-
Total	10,635,125	1,321,102

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13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Unresolved prior year issues</p> <p>In the report of the previous year, several paragraphs were raised under the report on Financial Statements, Report on Lawfulness and Effectiveness in use of public Resources. These prior year audit issues remained unresolved as of 30th June 2022 Management has not provided reasons for the delay in resolving the prior year audit issues.</p>	<p>To be resolved in 2023/2023 FY</p>	<p>Not resolved</p>	
	<p>Purchase of Goods and Services – Procurement of conference facilities</p> <p>The financial statements under purchase of goods and services reflects an</p>	<p>The Public Procurement Asset Disposal Regulations, 2020, were released</p>	<p>Resolved</p>	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>amount of Kshs.18,589,321 which includes Kshs 2,685,648 on hospitality supplies and services which further included payment vouchers amounting to Kshs. 2,636,800. Review of the supporting documents revealed the following:</p> <p>I. An Ad-hoc Opening Committee was not required by Section 78 (1) of the Public Procurement and asset disposal act,2015.</p> <p>II. An Ad-hoc Evaluation committee was not constituted as required by section 46(1) of the Public</p>	<p>through a gazette notice on 2nd July 2020. R.91 has provided for the appointment of an ad-hoc opening committee, ad-hoc evaluation committee and a recommendation by way of a professional opinion by the head of procurement to the Accounting Officer. The Public Procurement and Asset Disposal Act came into effect on January, 7th</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Procurement and Asset Disposal act 2015.</p> <p>III. A list of registered suppliers for conferencing facilities from which the quotations for the services were sought not provided for audit review as required by section 57(1) of the Public Procurement and Asset Disposal Act 2015.</p> <p>IV. The professional opinion from by the head of procurement function had no recommendations based on a market survey</p> <p>V. The opinion did</p>	<p>2016. Sec.105 of the PPADA, 2015 provides for when request for quotations may be used whereas Sec.106 outlines the procedure to be followed in using the request for quotations method. Prior to the release of the PPADR 2020, the Authority was guided by the provisions of PPADA, 2015 which does not have these extra provisions.</p> <p>Conference facilities are procurable subject to availability.</p> <p>The requirements of</p>		

NEMA-GCF Readiness and Preparatory Support: “NEMA Capacity Strengthening Programme Towards Accessing Climate Finance From Green Climate Fund”

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>not include the names of the Ad-hoc opening committee members.</p> <p>VI. The names of the Evaluation Committee Members and their appointment letters were not included in the opinion contrary to the provisions.</p> <p>VII. The opinion did not state whether the award was appropriate for the method of procurement applied citing specific provisions of law and quotation document.</p> <p>VIII. The opinion did not state whether</p>	<p>R.91 would therefore be impractical for their timely procurement as opposed provisions of Sec. 105 & 106 of the Act. The supply chain function further appreciates the Framework Contracting method of procurement pursuant to Sec.141 of the PPADA 2015 and R.134 of the PPADR 2020, as a more practical approach to procure hotel and conference facilities. Sec. 70 of the PPADA 2015 makes it mandatory for procuring entities to use the standard tender documents developed and provided by the</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>the recommended price for standard goods were within the indicative market prices.</p> <p>In the circumstances, the project management was in breach of the law.</p>	<p>Public Procurement Regulatory Authority. The Public Procurement Regulatory Authority developed and issued the Standard Public Procurement and Asset Disposal Documents and Formats for use by public entities and other stakeholders effective 21st April, 2021, vide PPRA Circular No. 2 of 2021, thus discontinued the use of previously issued standard tender documents and formats.</p> <p>However, not all standard tender documents were made available immediately. It is worth noting that even</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>with the revised standard tender documents released in the year 2022, only a standard procedures for preparing framework agreements documents has been made available. In order to ensure effective operationalization of the PPADR 2020 together with the PPADA, 2015, it was necessary for all supply chain management staff to undergo professional training on the same. In person trainings were not possible at the time the Regulations were released due to the COVID-19 pandemic.</p>		

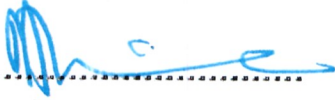
NEMA-GCF Readiness and Preparatory Support: "NEMA Capacity Strengthening Programme Towards Accessing Climate Finance From Green Climate Fund"

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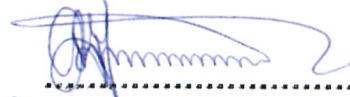
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>Staff in the supply chain management department have since undergone substantive trainings conducted by the Kenya Institute of Supplies Management on the application of the PPADA 2015, the PPADR 2020 and on the use of the new standard tender documents. The department has also conducted a country-wide market survey on hotels providing both conference and accommodation services with the ultimate objective of developing framework contracts with hotels in major counties within Kenya.</p>		

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**Mammo B. Mamo, EBS
Director General**



**Wangare Kirumba
Programme Coordinator**

NEMA-GCF Readiness and Preparatory Support: "NEMA Capacity Strengthening Programme Towards Accessing Climate Finance From Green Climate Fund"

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

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance (Below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
Receipts					
Proceeds from domestic and foreign grants (balance b/f)	19,459,558	8,824,433	10,635,125	45%	The 2nd tranche was received late in the financial year. Therefore, the trainings are yet to be completed
Total Receipts	19,459,558	8,824,433	10,635,125	45%	
Payments					
ESMS system for NEMA towards compliance with GCF safeguards	499,424	-	499,424	0%	Trainings to be finalized
Review existing systems procedures	900,000	-	900,000	0%	Trainings to be finalized
Train and induct 30 NEMA staff from 47 field officers on GCF/NEMA ESS	943,813	-	943,813	0%	Trainings to be finalized
Train identified EEs on GCF/NEMA ESS	900,000	-	900,000	0%	Trainings to be finalized
Review of NEMA gender policy to assess harmony with GCF gender policy	-	-	-	0%	
Develop tools for actionalizing provisions of gender policy	1,000,000	770,000	230,000	77%	Trainings to be finalized

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Train NEMA field staff on NEMA and GCF gender policy	1,214,858	1,201,658	13,200	99%	
Train proposed executing NEMA and entities on GCF gender policy	1,000,000	1,000,000	-	100%	
Expert courses for relevant NEMA staff	2,000,000	1,780,176	219,824	89%	
Train NEMA county officers on GCF policies and processes	1,500,000	-	1,500,000	0%	Trainings to be finalized
Training on ME systems in line with the nationally set MRV systems	1,000,000	-	1,000,000	0%	Trainings to be finalized
Undertake gap analysis for NEMA towards on-granting accreditation application	500,000	125,801	374,199	25%	Trainings to be finalized
Development of policies on on-granting accreditation application	1,000,000	198,342	801,658	20%	Trainings to be finalized
Train NEMA on on-granting mechanism	927,499	927,499	-	100%	Trainings to be finalized
Project management cost	6,073,964	2,820,957	3,253,007	46%	Trainings to be finalized
	19,459,558	8,824,433	10,635,125	45%	

NEMA-GCF Readiness and Preparatory Support: "NEMA Capacity Strengthening Programme Towards Accessing Climate Finance From Green Climate Fund"

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Annex 3: Reconciliation of inter-entity transfers

Project Name: Break down of transfers from the Ministry of Environment, Climate Change and Forestry				
a.	Government funding	Counterpart		
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
			-	
			-	
			-	
		Total	-	
B.	Direct payments	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
			-	
		Total	-	
C.	Others	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
			-	
			-	
		Total	-	
		Total (A+B+C)	-	

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

Programme Coordinator
NEMA GCF Readiness Programme



Sign

Head of Accounting Unit
NEMA


Sign

NEMA-GCF Readiness and Preparatory Support: "NEMA Capacity Strengthening Programme Towards Accessing Climate

Finance From Green Climate Fund"

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Annex 7: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities	Project				Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
NEMA GCF Readiness and Preparatory Support	Capacity Strengthening programme towards accessing climate finance from Green Climate Fund	To build requisite capacity and readiness at NEMA for GCF programming and implementation	Consultancies and trainings	-	-	-	8,836,433	Green Climate Fund Secretariat	-

**NEMA-GCF Readiness and Preparatory Support: “NEMA Capacity Strengthening Programme
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Annex 9: Other Support Documents

- i. Bank Reconciliations statement as at 30th June 2023