

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

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THE AUDITOR-GENERAL

ON

**MACHAKOS COUNTY CLIMATE CHANGE
FUND**

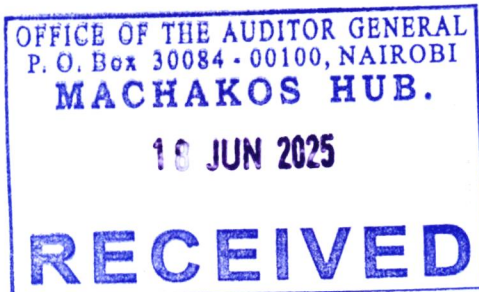
**FOR THE YEAR ENDED
30 JUNE, 2023**



MACHAKOS COUNTY CLIMATE CHANGE FUND

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2023**

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



**Machakos County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

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1. Acronyms and Glossary of Terms

a) Acronyms

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings
FFLoCA	Financing Locally Led Climate Action.
CCIS	Climate Change Institutional Support.
CCIR	Climate Change Investment Resilience.

b) Glossary of Terms

Indicator: A sign of progress/change that result from a project’s intervention. It measures a change in a situation or condition and confirms progress towards achievement of a desired specific result. It is used to measure a project’s impact, outcomes, outputs and inputs that are monitored during project implementation to assess progress.

Outcome Indicator: A specific, observable, and measurable characteristic or change that will represent achievement of the outcome.

Outcome: An intermediate result generated from a number of outputs relative to the objective of a programme or intervention.

Output: Products, services or immediate results, tangible or intangible resulting directly from the implementation of activities or applying inputs.

Performance indicator: A measurement that evaluates the success of an organization or of a particular activity (such as projects, programmes, products and other initiatives) in which it engages.

2. Key Entity Information and Management

a) Background information

Machakos County Climate Change Fund is established by and derives its authority and accountability from Machakos County Climate Change Act 2021 and Machakos County Climate Change Amendment Act 2022 in effect to section 19(4) of the climate change Act No. 11 of 2016. The Fund is wholly owned by the County Government of Machakos and is domiciled in Machakos, Kenya.

The fund's objective is to implement County Climate Change Adaptation and Mitigation Actions as Outlined in Machakos County Climate Change Action Plan 2023-2027.

The Fund's principal activity is to Implement County Climate Change Adaptation and Mitigation actions targeting 3 critical sectors with a minimum of 20% of the County Climate Resilience Investment for Social Resilience. They include Agriculture including livestock, Water and Environment. The FFLoCA program matching requirements expects counties to allocate at least 1.5% of their individual development budgets to Climate change mitigation strategies. In the Financial Year 2022/23 Machakos County Government allocated Kshs 86,822,262 out of Kshs. 3,507,847,234 translating to 2.47% of the Total County Development Budget.

b) Principal Activities

The Fund principal activity is to build capacity of the communities to cope with climate change by implementing the county climate change Actions plans.

Fund Objectives

- i. Increase storage capacity and climate proof the water structures.
- ii. To boost small scale irrigation across the county.
- iii. To increase biologic carbon sequestration and boost climate change adaptation through promotion of Agro-forestry.
- iv. To promote climate change adaptation through rain water harvest, mitigation by promoting the use of low emission cooking alternatives and minimize post-harvest loss.
- v. Promote alternative food sources to boost food security.

**Machakos County Climate Change Fund
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c) Fund Administration Committees

S/No.	Position	Name
1	County Steering Committee	Chaired by Hon. Francis Mwangangi-Deputy Governor.
2	County Climate Change Planning Committee	Chaired by Zipporah Mutunga-Chief Officer/Climate Change
3	Ward Climate Change Planning Committee	40 Ward Climate Change Committees Each Having an 8 Member Representation.

d) Key Management team

S/No.	Name	Position
1	Accounting Officer	Zipporah Mutunga
2	Ag. Director- Climate Change	Eng. Daniel Kyalo
3	Fund Administrator	CPA Daniel Mutula
4	Fund Accountant	CPA Esther Ndolo

e) Fiduciary Oversight Arrangements

SN	Position	Name
1	Ag. Chief Internal Auditor	CPA Daniel Mumo
2	Chair- Audit Committee	CPA Jones Makau

f) Registered Offices

P.O. Box 1996 – 90100
Kitui Road,
Machakos, KENYA

g) Fund Contacts

Telephone: (254) 728855041
E-mail: danmutlua@gmail.com
Website: www.machakosgovernment.co.ke

h) Fund Bankers

- Central Bank of Kenya
Account Number: 1000470739
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

Key Entity and Management (Continued)

2. Family Bank
Machakos Branch
Account Number: 073000048995
Machakos, Kenya

i) Independent Auditors

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

j) Principal Legal Adviser

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

k) County Attorney

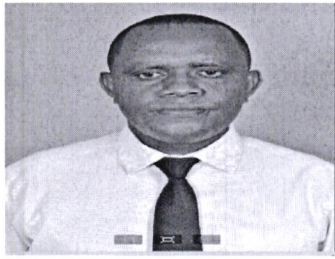
County Law Office
P.O.Box 1996 – 90100,
Machakos, Kenya

**Machakos County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

3. Machakos County Climate Change Fund Steering Committee

Name	Details of qualifications and experience
 <p>H.E Eng. Francis Mwangangi Deputy Governor & Chairman of Machakos County Steering Committee</p>	<p>Hon. Francis Mwangangi is the Deputy Governor and Chairman, Machakos County Climate Change Steering Committee. He has wide range of work experience in the public and private sector. Before his appointment as Deputy Governor, Machakos County; he served as Director General, Global Hope Foundation. He was the Member of Parliament, Yatta Constituency from 2013 – 2017. Prior to this; he served as County Program Director for Integrated Development Agency and Managing Director for Regional Procurement and Supplies Services. He is a Leadership & Management Graduate from St Pauls University and a Masters in International Relations from U.S.I.U. He is currently pursuing a P.H.D in International Relations.</p>
 <p>Hon. Catherine Mutanu CECM-Water, Irrigation, Environment & Climate Change</p>	<p>Ms. Catherine Mutanu is the County Executive Committee Member- Water, Irrigation, Environment and Climate change. She holds a bachelor’s degree in Education from Nairobi University, a Masters in Public Policy and is currently studying for her PhD in Public Policy and Management at Kenyatta University.</p> <p>She has worked as a teacher. Before her appointment, she was the program Manager at NGO Community Based Development Service.</p>
 <p>Ms. Zipporah Mutunga Chief Officer-Climate Change</p>	<p>Ms. Zipporah Mutunga is the Accounting officer, Climate Change. She holds a Bachelor of Commerce Degree (Procurement and Supply Chain Management) from Kenyatta University and is currently pursuing a Master’s in Business Management at St. Paul’s University. Previously she worked with Nairobi City Water and Sewerage Company.</p>

Machakos County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2023



CPA Daniel Mutula
Fund Administrator




CPA Daniel Mutula is the fund Administrator. He was born on 1st December, 1988. He's a Professional with a Masters in Financial Engineering, Masters in Finance (Accounting), Bachelors in Commerce (Accounting).

In addition, he has over 9 years' experience in Finance in Public sector and 2 years in private sector. CPA Daniel Mutula is a registered Member of ICPAK in good standing.

ICPAK M/No. 18377.

**Machakos County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

4. Management Team

Name	Details of qualifications and experience
 <p>CPA Daniel Mutula Fund Administrator</p>	<p>CPA Daniel Mutula is the Fund Administrator. Born on 1st December, 1988, he's a Professional with a Masters in Financial Engineering, Masters in Finance (Accounting), Bachelors in Commerce (Accounting).</p> <p>In addition, he has over 9 years' experience in Finance in Public sector and 2 years in private sector. CPA Daniel Mutula is a registered Member of ICPAK in good standing.</p> <p>ICPAK M/No. 18377.</p>
 <p>Eng. Daniel Kyalo Ag. Director, Climate Change</p>	<p>Eng. Daniel Kyalo is the Ag. Director Climate change. He holds an MSc in geo-information science for water resources & environmental management and Bachelors in water engineering. He has 10 years' experience in surface water engineering in public sector. He is a member of Engineering Board of Kenya (EBK) and accredited by National Environmental Management Authority.</p> <p>M/No. B16285.</p>
 <p>CPA Esther Ndolo Fund Accountant</p>	<p>CPA Esther Ndolo is the Fund Accountant. She has a Bachelors in Commerce (Finance) and is a Certified Public Accountant with 9 years' experience in public sector and 12 years in private sector. Currently studying MSc in Development Finance. She is member of ICPAK in good standing M/No. 16646 and also member of AWAK M/No. 1447</p>

5. Fund Chairperson's Report

It is my pleasure to present the Machakos County Climate Change Fund Financial Statements for the year ended 30th June 2023, which are in line with the Public Finance Management (PFM) Act, 2012 and the IPSAS cash basis of accounting. The Act requires final accounts to be prepared, published, publicized and submitted to the County Assembly, Office of the Auditor General, the National Treasury, the Controller of Budget and Commission for Revenue Allocation within a period of three months after the end of each Financial Year i.e 30th September.

Attached are the Financial Statements which have been prepared in line with the requirements of the PFM Act 2012, which present a true and fair view of state of affairs of the County Government of Machakos for the financial year ended June 30th, 2023.

The county had budgeted to receive **Kshs 147,000,000** from Worldbank-Financing Locally Led Climate Action (FELoCA) and **Kshs 86,822,262** being County Contribution for Climate Change mitigation strategies, a total of **Kshs 233,822,262** budget. The actual receipts amounted to **Kshs 69,568,478** comprising of **Kshs 11,000,000** from World-bank-Financing Locally Led Climate Action and **Kshs. 58,568,478** from County Contribution.

In the next financial year, the county government plans to increase county contribution in the fund.

Name.....*Francis Mwangangi*.....Signature..........Date.....*5/12/2024*.....

Chairperson of Machakos County Climate Change Fund Steering Committee

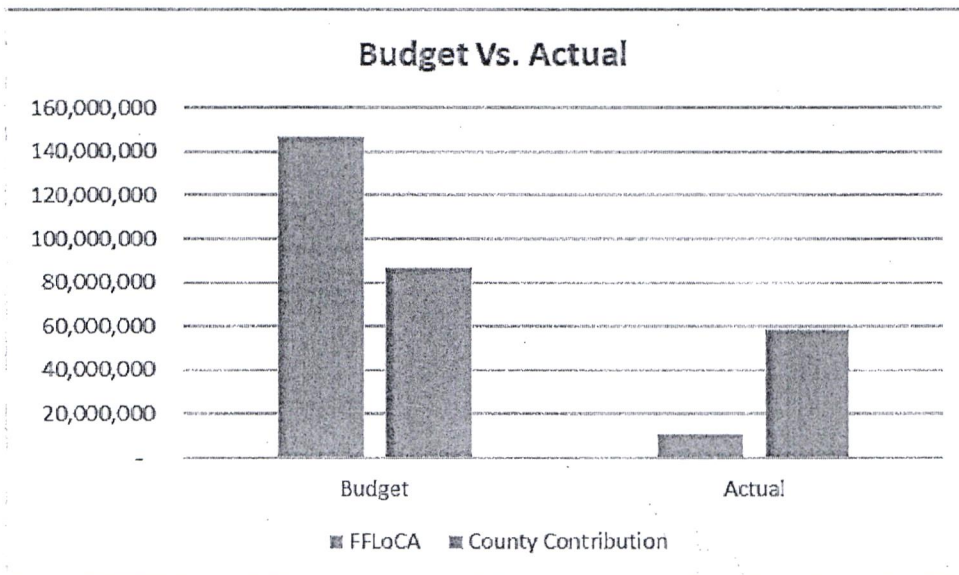
**Machakos County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

6. Report of The Fund Administrator

Climate change program aims at delivering locally-led climate resilience actions and strengthen county and national governments capacity to manage climate risks. The program is financed by world bank and County Government minimum of 1.5% of development budget in a financial year. The world bank finances through Climate change Institutional Support (CCIS) which is recurrent in nature and Climate Change Investment Resilience (CCIR) which is a capital grant. The county contribution forms 3% of the county development budget.

In the financial year ended 30th June 2023, the Climate Change Mitigation Strategies which formed the county contribution of 2.47% of development Budget was budgeted at **Kshs 86,822,262**, Climate Change Institutional Support (CCIS) was budgeted at **Kshs.22,000,000** and Climate change Resilience Grant (CCRG) at **Kshs. 125,000,000** both from the world bank. Both CCIS and CCRG grants were grouped in Financing Locally Led Climate Action (FFLoCA) program.

Below is a histogram representing the Budgeted Versus actual of each budget item:



In the next financial year, the Machakos County Government plans to increase financing in-order to undertake more Water, Agricultural and environmental intervention programmes.

In implementation of the fund, it encountered a number of challenges. These include delayed disbursement of funds from world bank and unpredictable weather patterns which affected desilting of dams and construction of weirs.

7. Statement of Performance Against the County Fund's Predetermined Objectives

Introduction

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each County Government entity Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

The key development objectives of the Machakos County Climate Change Fund to mitigate against climate change were:

- a) Increase storage capacity and climate proof the water structures.
- b) To boost small scale irrigation across the county.
- c) To increase biologic carbon sequestration and boost climate change adaptation through promotion of agro-forestry.
- d) To promote climate change adaptation through rain water harvest, mitigation by promoting the use of low emission cooking alternatives and minimize post-harvest loss.
- e) Promote alternative food sources to boost food security.

The Programs are captured in the MCCCAP (Machakos County Climate Change Action Plan) 2023 – 2027, the CIDP (County Integrated Development Plan) 2023 – 2027 and the ADPs (Annual Development Plan) 2023 – 2024 and 2024 – 2025.

8. Corporate Governance Statement

Machakos County Climate Change Fund is established by and derives its authority and accountability from Machakos County Climate Change Act 2021 and Machakos County Climate Change Amendment Act 2022 in effect to section 19 (4) of the Climate Change Act No. 11 of 2016. The Fund is wholly owned by the County Government of Machakos.

The fund is governed by the above two acts enacted by Machakos county assembly. The governance structure consists of County Steering Committee chaired by the Deputy Governor with the County Executive Committee Member-Water, Irrigation, Environment and climate change and Fund Administrator being the other two members. In addition, the fund has a County Climate Change Planning Committee chaired by the Accounting Officer for climate change and Ward climate change planning committee with 40 ward climate change committees each having an 8 – member representation.

The Machakos County Climate Change Act 2021 steers clear on the term of office of the county climate change steering committee members and on removal of steering committee members.

In addition, it states on establishment of Ward Climate change planning committee and its functions, composition, appointment and removal and on ward planning committee establishment, composition, functions appointment and removal. The fund's objective is to Implement County Climate Change Adaptation and Mitigation Actions as outlined in Machakos County Climate Change Action Plan 2023 – 2027.

9. Management Discussion and Analysis

The County Climate Change Action Plan 2023 – 2027 was developed using the locally led approach where 30 members drawn from each ward were trained on climate change. After the training they developed an action plan for the ward indicating the Climate Interventions which would help them build adaptation to climate change.

10. Environmental and Sustainability Reporting

1. Sustainability strategy and profile

The fund is financed by the world bank-Financing Locally led climate change Action program and county contribution.

The fund aims to deliver locally led climate resilience actions and strengthen county capacity to manage climate risks. It focuses on capitalizing the County Climate Change Funds, building county level capacity for planning, budgeting, reporting and implementation of local climate actions in partnership with communities especially at ward level.

2. Environmental performance

The fund has among of the programmes being Water and Environmental Intervention. Its activities included Supply of assorted tree seedlings, promotion of water harvesting mechanisms and alternative cooking energy services. The environmental actions were those that were captured in the MCCCAP (Machakos County Climate Change Action Plan) 2023 – 2027, the CIDP (County Integrated Development Plan) 2023 – 2027 and the ADPs (Annual Development Plan) 2023 – 2024 and 2024 – 2025. The ward climate changing planning committees for the respective projects were trained on proposal development and subsequently proposed the dams for immediate action in light of the El-Nino rains.

Specifically, the county undertook under Machakos county rain water harvesting programme to desilt and rehabilitate earth dams in Yatta Sub-County.

3. Employee welfare

The Machakos County Climate Change Fund employees are the employees of county government of Machakos. The entity always puts into consideration all the relevant laws, policies and guidelines during its recruitment process. These include; the Constitution of Kenya (2010), the Employment Act (2007), County Government Acts (2012) and the County Public Service Human Resource Manual (2016). The Constitution of Kenya (2010), Article 27 (8) provides that affirmative action should be factored where the state is required to take legislative and other measures to ensure that no more than two-thirds of the members of elective or appointive bodies are of the same gender. This has been cascaded to the County Governments recruitment processes. The County Government Act (2012) also underscores the principle of gender equality in County Government hiring process. We are happy to report that Machakos County has complied by having a ratio of 60% women and 40% men in the public service.

4. Market place practices

The fund sources suppliers competitively by open tendering or use of quotations. Women, Youth, People living with disabilities are allocated 30% value of the supplies and works.

Tenders are advertised in main stream media both print and online in the county portal.

5. Corporate Social Responsibility / Community Engagements

The fund is established on climate change mitigation strategies. The Assorted tree seedlings distributed in the course of the year were sourced from the vendors within the surrounding communities in those particular wards.

The fund also has 40 ward climate change planning committees with 8-member representation per Sub-county. Climate mitigation strategies are proposed by ward climate change planning committee at the ward level. For example, the el-nino programme was prioritised by ward development committee.

**Machakos County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

11. Report of the Committee

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

Principal activities

The principal activities of the Fund are based on three sectors: Water, Environmental and Agriculture including Livestock Interventions.

Results

The results of the Fund for the year ended June 30, 2023 are set out on page 1-28.

Trustees

Machakos County Climate Change Fund does not have trustees.

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



.....
Chair of the Machakos County Climate Change Fund Steering Committee

Date: 5/12/2024

**Machakos County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

12. Statement of Management’s Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a Machakos County Climate Change Fund established by Machakos County Climate Change Act 2021 and Machakos County Climate Change Amendment Act 2022 in effect to section 19 (4) of the Climate Change Act No. 11 of 2016 under the Ministry of Water, Irrigation, Environment and Climate Change shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund’s financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Machakos County Climate Change Action Plan. The Administrator of the Fund is of the opinion that the Fund’s financial statements give a true and fair view of the state of Fund’s transactions during the financial year ended June 30, 2023, and of the Fund’s financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund’s financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund’s ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. OR

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

Approval of the financial statements

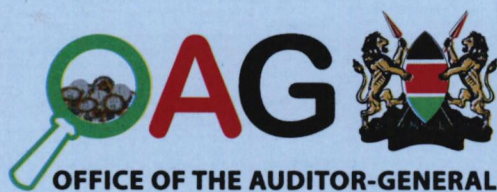
The Fund’s financial statements were approved by the Board on 5/12/ 2024 and signed on its behalf by:



.....
Administrator of the Machakos County Climate Change Fund

REPUBLIC OF KENYA

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



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON MACHAKOS COUNTY CLIMATE CHANGE FUND FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities 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 Machakos County Climate Change Fund set out on pages 1 to 26, which comprise of the statement of financial position as at 30 June, 2024, the statement of financial performance, statement of

Report of the Auditor-General on Machakos County Climate Change Fund for the year ended 30 June, 2023

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of Machakos County Climate Change Fund as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and the Machakos Climate Change Act, 2021 (Amended, 2022) and the Public Finance Management Act, 2012.

Basis for Opinion

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.233,822,262 and Kshs.69,568,478 respectively, resulting to an under-funding of Kshs.164,253,784 or approximately 70% of the budget. Similarly, the Fund spent Kshs.37,498,800 against final receipts of Kshs.69,568,478 resulting to an underperformance of Kshs.32,069,678 or approximately 46% of the actual receipts.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is unmodified in respect of this matter.

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 Information

The Management is responsible for the other information set out on pages iii to xvii which comprise of Key Entity Information and Management, Machakos County Climate Change

Fund Steering Committee, Management Team, Fund Chairperson's Report, Report of the Fund Administrator, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Committee and Statement of Management's Responsibilities. The other information does not include the financial statements and my audit report thereon.

In connection with my audit on the Fund's, financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and accordingly, I do not express an audit opinion or any form of assurance thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed, except for the matter described in the Basis for Conclusion, 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

Late Submission of Financial Statements

The financial statements for the year under review were received on 9 December, 2024. This is contrary to Section 47(1) of the Public Audit Act, 2015 which states that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

In the circumstances, Management was in breach of the law.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Lack of Risk Management Policy, Risk Register, Disaster Recovery and Business Continuity Plan

Review of records and systems revealed that the Fund lacks a Risk Management Policy and does not have a framework for management of risk, hence it was not possible to identify, assess and control risks. Further, the Fund did not maintain a risk register, and did not have a strategy for recovery of lost data to allow for business operation to be restored in the event of a disaster.

In the circumstances, the effectiveness of risk management systems in place could not be confirmed.

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

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 (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention 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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

23 June, 2025

Report of the Auditor-General on Machakos County Climate Change Fund for the year ended 30 June, 2023

**Machakos County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

14. Statement of Financial Performance for the Year Ended 30th June 2023

Description	Note	Period Ended 30th June, 2023	Comparative FY 2021/22
		Kshs	Kshs
Revenue from Non-Exchange Transactions			
Public Contributions and Donations	1	11,000,000	-
Transfers from the County Government	2	58,568,478	-
Total Revenue		69,568,478	-
Expenses			
Use of goods and services	3	37,498,800	-
Total Expenses		37,498,800	-
Surplus/(Deficit) for the Period		32,069,678	-

(The notes set out on pages 6-19 form an integral part of this financial statements)

.....
CPA Daniel Mutula
Administrator of the Fund

.....
CPA Esther Ndolo
Fund Accountant
ICPAK Member Number: 16646

**Machakos County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

15. Statement of Financial Position As at 30th June 2023

Description	Note	Period Ended	Comparative
		30th June, 2023	FY 2021/22
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	4	29,772,178	-
Total current assets		29,772,178	-
Non-Current Assets			
Property, Plant and Equipment	5	2,297,500	-
Total non- current assets		2,297,500	-
Total Assets (A)		32,069,678	-
Liabilities			
Current Liabilities			
Total current liabilities		-	-
Non-Current Liabilities			
Total Liabilities (B)		-	-
Net Assets (A-B)		32,069,678	-
Represented By:			
Accumulated Surplus		32,069,678	-
Net Assets		32,069,678	-

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 5/12/ 2024 and signed by:

.....
CPA Daniel Mutula
Administrator of the Fund

.....
CPA Esther Ndolo
Fund Accountant
ICPAK Member Number:16646

**Machakos County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

16. Statement of Changes in Net Assets for the year ended 30th June 2023

Description	Revolving Fund	Revaluation Reserve	Accumulated Surplus	Total
		Kshs	Kshs	Kshs
Balance as at 1 July 2021	-	-	-	-
Balance as at 30 June 2022	-	-	-	-
Balance as at 1 July 2022	-	-	-	-
Surplus/(Deficit) For the Period	-	-	32,069,678	32,069,678
Balance as at 30 June 2023		-	32,069,678	32,069,678

Machakos County Climate Change Fund

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

17. Statement of Cash Flows for The Year Ended 30th June 2023

Description	Note	Period Ended	Comparative
		30th June, 2023	FY 2021/22
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations		11,000,000	-
Transfers from the county government		58,568,478	-
Total receipts		69,568,478	-
Payments			
Fund administration expenses		27,626,800	-
General expenses		9,872,000	-
Total Payments		37,498,800	-
Net cash flows from operating activities		32,069,678	-
Cash flows from investing activities			
Purchase of property, plant, equipment and		(2,297,500)	(-)
Net cash flows used in investing activities		(2,297,500)	(-)
Cash flows from financing activities			
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash & cash			-
Equivalents		29,772,178	-
Cash and cash equivalents at 1 July 2022		-	-
Cash and cash equivalents at 30th June, 2023		29,772,178	-

**Machakos County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

18. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 June, 2023

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	A	B	C=(A+B)	D	E=(C-D)	F=D/C*100
Revenue						
Public Contributions and Donations						
Worldbank/FLLoCA-CCIR Grant	125,000,000	-	125,000,000	-	125,000,000	0%
World bank/ FLLoCA-CCIS Grant	22,000,000	-	22,000,000	11,000,000	11,000,000	50%
Transfers from County Government-County Contribution	86,822,262	-	86,822,262	58,568,478	28,253,784	67%
Total Income	233,822,262	-	233,822,262	69,568,478	164,253,784	30%
Expenses						
Fund Administration Expenses	35,249,668	-	35,249,668	27,626,800	7,622,868	78%
General Expenses	198,572,594	-	198,572,594	9,872,000	188,700,594	5%
Total Expenditure	233,822,262	-	233,822,262	37,498,800	194,025,962	17%
Surplus for the Period				32,069,678		
Capital expenditure	198,572,594	-	198,572,594	9,872,000	188,700,594	5%

Budget notes:

1. The CCIR grant was not disbursed in the whole financial year. Total disbursements, both from FFLoCA-CCIS and County Contribution were received in the fourth quarter.
2. The template categories fund expenditure into two: Fund administration expenses recurrent in nature and General expenses which is development in nature. Total expenditure formed 17% and the low absorption was due to late disbursement.

19. Notes to the Financial Statements

1. General Information

Machakos County Climate Change Fund is established by and derives its authority and accountability from Machakos County Climate Change Act 2021 and Machakos County Climate Change Amendment Act 2022 in effect to section 19 (4) of the Climate Change Act No. 11 of 2016. The entity is wholly owned by the Machakos County Government and is domiciled in Kenya. The entity’s principal activity is to implement County Climate Change Adaptation and Mitigation actions in line with the CIDP and the Machakos County Climate Change Action Plan 2023-2027.

2. Statement of compliance and basis of preparation

The Fund’s financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. Adoption of new and revised standards

(i) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024

There were no new and amended standards issued in the financial year.

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.

Standard	Effective date and impact:
IPSAS 43	Applicable 1st January 2025 The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	Applicable 1st January 2025 The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.
IPSAS 45- Property Plant and	Applicable 1st January 2025 The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage

**Machakos County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

Equipment	assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46 Measurement	Applicable 1st January 2025 The objective of this standard was to improve measurement guidance across IPSAS by: <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value.
IPSAS 47- Revenue	Applicable 1st January 2026 This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.
IPSAS 48- Transfer Expenses	Applicable 1st January 2026 The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49- Retirement Benefit Plans	Applicable 1st January 2026 The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.

(i) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

ii. Revenue from exchange transactions

Interest income

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

Dividends

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

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 2022/23 of Kshs 233,822,262 was approved by the County Assembly on 12th July, 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Actual receipts amounted to Kshs 69,568,478 translating to 30%. Actual expenditure paid equalled to Kshs. 39,796,300 thus 17% utilization. Accordingly, the Fund did not record additional appropriations on the FY 2022/23 budget following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

Summary of Significant Accounting Policies (Continued)

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

Actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance are equal in financial statements.

c) Property, plant and equipment

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

a) Intangible Assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

b) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over its useful life or investment property is measured at fair value with gains and losses recognised through surplus or deficit. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Summary of Significant Accounting Policies (Continued)

c) Financial instruments

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

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Summary of Significant Accounting Policies (Continued)

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in Note 16.

Financial liabilities

Classification

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

d) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

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

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

e) Provisions

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

f) Social Benefits

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

Summary of Significant Accounting Policies (Continued)

g) Contingent liabilities

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

Contingent assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

h) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. During the period ended 30th June 2023 Machakos County Climate Change Fund had no reserve.

i) Changes in accounting policies and estimates

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

j) Employee benefits – Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

Summary of Significant Accounting Policies (Continued)

k) Foreign currency transactions

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

l) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

m) Related parties

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

n) 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.

o) Comparative figures

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

Summary of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. There was no additional disclosure of these estimates of provisions.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

6. Notes To The Financial Statements Continued

1. Public contributions and donations

Description	Period Ended 30th June, 2023	Comparative FY 2021/22
	Kshs	Kshs
Climate Change Institutional Support (CCIS) Grant	11,000,000	-
Climate Change Investment Resilience (CCIR) Grant	-	-
Total	11,000,000	-

The CCIS grant is recurrent in Nature while the CCIR Grant is capital. Both grants are from world-bank and are financing locally led climate Actions

2. Transfers from County Government

Description	Period Ended 30th June, 2023	Comparative FY 2021/22
	Kshs	Kshs
County Contribution	58,568,478	-
Total	58,568,478	-

The county Contribution is meant to supplement the world bank-FFLoCA grant for climate change

3. Use of Goods and Services

Description	Period Ended 30th June, 2023	Comparative FY 2021/22
	Kshs	Kshs
Bank Charges	5,480	-
Fuel and Oil Costs	750,000	-
Domestic Travel and Subsistence, and Other Transportation Costs	21,103,670	-
Other Operating Expenses	300,000	-
Hospitality Supplies and Services	5,467,650	-
Construction and Civil works	9,872,000	-
Total	37,498,800	-

**Machakos County Climate Change Fund
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Notes to the Financial Statements (Continued)

4. Cash and cash equivalents

Description	Period Ended 30 th June, 2023	Comparative FY 2021/22
	Kshs	Kshs
Machakos County Climate Change Fund-Family Bank	29,772,178	-
Total Cash And Cash Equivalents	29,772,178	-

Detailed analysis of the cash and cash equivalents are as follows:

Financial Institution	Account number	As at 30 th June, 2023	Comparative FY 2021/22
		Kshs	Kshs
a) Current Account			
Family Bank	073000048995	29,772,178	-
Total		29,772,178	-

**Machakos County Climate Change Fund
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Notes To The Financial Statements (Continued)

5. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Depreciation Rate				33%	
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
At 1st July 2022	-	-	-	-	-
Additions	-	-	-	2,297,500	2,297,500
Disposals	(-)	-	-	-	(-)
Transfer/Adjustments	(-)	-	-	(-)	(-)
At 30th June 2023	-	-	-	2,297,500	2,297,500
Depreciation and Impairment					
At 1st July 2022	-	-	-	-	-
Depreciation	(-)	(-)	(-)	-	(-)
Disposals	-	-	-	-	-
Impairment	(-)	(-)	-	-	(-)
Transfer/Adjustment	-	(-)	(-)	-	-
At 30th June 2023	-	-	-	-	-
Net Book Value					
At 30th June 2023	-	-	-	2,297,500	2,297,500

Note:

Depreciation on computers and office equipment is at the rate of 33% per annum on straight line method. The acquisition of ICT Equipment was on 26th June, 2023. There's no depreciation on the same because the expenses were incurred on year end.

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Notes to The Financial Statements (Continued)

6. Cash generated from operations.

Description	Period Ended 30 th June, 2023	Comparative FY 2021/22
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	32,069,678	-
Adjusted For:		
Depreciation	-	-
Amortisation	-	-
Gains/ Losses on Disposal of Assets	(-)	(-)
Interest Income	(-)	(-)
Finance Cost	-	-
Working Capital Adjustments		
Increase In Inventory	(-)	(-)
Increase In Receivables	(-)	(-)
Increase In Payables	-	-
Net Cash Flow from Operating Activities	32,069,678	-

**Machakos County Climate Change Fund
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Notes to the Financial Statements (Continued)

7. Related party balances

a) Nature of related party relationships

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

- a) The County Government of Machakos.
- b) Ministry of Water, Irrigation, Environment and Climate Change.

b) Related party transactions

Description	Period Ended 30 th June, 2023	Comparative FY 2021/22
	Kshs	Kshs
Transfers County Government of Machakos-County Contribution	58,568,478	-
Total	58,568,478	-

c) Key management remuneration

Description	Period Ended 30 th June, 2023	Comparative FY 2021/22
	Kshs	Kshs
Board of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

Note: All the personnel working for the fund are employees of County Government

d) Due from related parties

Description	Period Ended 30th June, 2023	Comparative FY 2021/22
	Kshs	Kshs
World-bank-FFLoCA (CCIR) Grant	125,000,000	-
World-bank-FFLoCA (CCIS) Grant	11,000,000	-
Due from County Government of Machakos	28,253,785	-
Total	164,253,785	-

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Other disclosures (Continued)

8. Financial risk management

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

The Fund's financial risk management objectives and policies are detailed below:

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2022				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-
At 30 June 2021				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-

**Machakos County Climate Change Fund
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Other disclosures (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from Machakos County Climate Change Fund.

The board of trustees sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Trade Payables	-	-	-	-
Current Portion of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2022				
Trade Payables	-	-	-	-
Current Portion of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	-	-

**Machakos County Climate Change Fund
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Other disclosures (Continued)

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Fund's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

i. Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the entity's foreign currency-denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

Description		Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2023			
Financial Assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ Receivables			
Liabilities			
Trade And Other Payables	-	-	-
Borrowings	-	-	-
Net Foreign Currency Asset/(Liability)	-	-	-

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Other disclosures (Continued)

Foreign currency sensitivity analysis

The following table demonstrates the effect on the Fund's statement of financial performance on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

Description	Change in currency rate	Effect on surplus/ deficit	Effect on Equity
	Kshs	Kshs	Kshs
(Current FY)			
Euro	10%	-	-
USD	10%	-	-
(Comparative FY)			
Euro	10%	-	-
USD	10%	-	-

ii. Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The entity's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Machakos County Climate Change Fund did not conduct any sensitivity analysis in the year ended 30th June 2023.

**Machakos County Climate Change Fund
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Other disclosures (Continued)

d) Capital risk management.

The objective of the Fund's capital risk management is to safeguard the Fund's ability to continue as a going concern. The entity capital structure comprises of the following funds:

Description	Current FY	Comparative FY
	Kshs	Kshs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	-	-
Total funds	-	-
Total borrowings	-	-
Less: cash and bank balances	(-)	(-)
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

9. Events after the reporting period

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

10. Ultimate and Holding Entity

The entity is a County Public Fund established by Machakos County Climate Change Act 2021 and Machakos County Climate Change Amendment Act 2022 in effect to section 19 (4) of the Climate Change Act No. 11 of 2016 under the Ministry of Water, Irrigation, Environment and Climate Change. Its ultimate parent is the County Government of Machakos.

11. Currency

The financial statements are presented in Kenya Shillings (Kshs).

**Machakos County Climate Change Fund
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20. Annexes

Annex I: Progress on Follow Up of Prior Year Auditor's Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:

Daniel Mutula



Fund Administrator

Date..... *5/12/2024*

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Annex II: Inter-Fund Confirmation Letter

Machakos County Climate Change Fund
P.O. Box 1996-90100 Machakos

The Machakos County Climate Change Fund wishes to confirm the amounts disbursed to you as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by Machakos County Climate Change Fund as at 30 th June 2023							
Reference Number	Date Disbursed	Amounts Disbursed (Kshs) as at 30 th June 2023				Amount Received by Machakos County Climate Change Fund as at 30 th June 2023 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
FT23114GYLOQ	24-Apr-23	11,000,000	-	-	11,000,000	11,000,000	-
FT2310971BDB	19-April-23	58,568,478	-	-	58,568,478	58,568,478	-
Total		69,568,478	-	-	69,568,478	69,568,478	-

Note: The Kshs 58,568,478 was transferred by Machakos County Government as County Contribution on 19th April 2023.

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

Head of Accountants department of beneficiary Fund:

Name Daniel Mutula Sign  Date 5/12/2024

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Annex III: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
Kombe water Project	Powering, equipping and Reticulation of Kombe Primary school Borehole	Aimed at reducing scarcity in the area.	Powering, equipping and Reticulation				4,872,000	County Government of Machakos	County Government of Machakos
Ivovoani Earth Dam	Rehabilitation of Ivovoani Earth Dam	Aimed at reducing scarcity in the area.	Rehabilitation of earth dam				5,000,000	County Government of Machakos	County Government of Machakos

Annex IV: Reporting on Disaster Management Expenditure

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