

REPUBLIC OF KENYA

PARLIAMENT  
OF KENYA  
LIBRARY



**OAG**



**OFFICE OF THE AUDITOR-GENERAL**

*Enhancing Accountability*



THE NATIONAL ASSEMBLY  
PAPERS TAID

DATE: 20 APR 2023

DAY:

Thursday

TAKEN  
BY:

Hon Owen Bayo, MP  
Deputy leader, majority

CLERK-AT  
THE TABLE:

Moses Lemina

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**KENYA WATER TOWERS PROJECT  
(GRANT NO. FED/2016/375-958)**

**FOR THE YEAR ENDED  
30 JUNE, 2022**

**KENYA FOREST SERVICE**

OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
REGISTRY  
23 NOV 2022  
RECEIVED



Republic of Kenya



European Union



**Project Name: KENYA WATER TOWERS PROJECT**

Implementing Entity: KENYA FOREST SERVICE

In Partnership With

1. Kenya Wildlife Service
2. Kenya Water Towers Agency
3. Climate Change Directorate

PROJECT GRANT: FED/2016/375-958

---

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2022**

---

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

***Kenya Water Towers Project***  
***Annual Report and Financial Statements for the financial year ended June 30, 2022***

---

***Kenya Water Towers Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022***

---

**Table Contents**

1. Project Information and Overall Performance .....	iv
2. Statement Of Performance Against Project’s Predetermined Objectives .....	xiii
3. Environmental and Sustainability Reporting.....	xiv
4. Statement Of Project Management Responsibilities .....	xv
5. Report Of the Independent Auditor on The Project .....	xvii
6. Statement Of Receipts and Payments for The Year Ended 30th June 2022.....	1
7. Statement of Financial Assets As at 30 <sup>th</sup> June 2022.....	2
8. Statement of Cashflow for the Year Ended 30 <sup>th</sup> June 2022 .....	3
9. Statement of Comparison of Budget and Actual Amounts for the Year Ended 30 <sup>th</sup> June 2022 .....	4
10. Significant Accounting Policies.....	5
11. Notes To the Financial Statements.....	12
12. Other Important Disclosures .....	25
13. Progress On Follow Up Of Prior Year Auditor’s Recommendations .....	26
14. Annexes.....	32

## **1. Project Information and Overall Performance**

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

#### **Name**

The project's official name is Kenya Water Towers Project,

#### **Objective**

The key objective of the project is to support Kenya eradicate poverty through enhancing the productivity of ecosystem services of Kenya's critical ecosystems and enhance resilience to climate change of her water towers,

#### **Address**

The project headquarters offices are in Kenya Forest Service Headquarters, Karura, Off Kiambu Road, Nairobi County, Kenya.

The address of its registered office is:

Kenya Water Towers Project  
Kenya Forest Service  
Karura, Off Kiambu Road  
P.O. Box 30513-00100 Nairobi

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

Telephone: (254) 0202020285  
E-mail: [watertowers@kenyaforestservice.org](mailto:watertowers@kenyaforestservice.org)  
Website: [www.kenyaforestservice.org](http://www.kenyaforestservice.org)

**Kenya Water Towers Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2022**

**Project information and overall performance (continued)**

**1.2 Project Information**

Project Start Date:	The program start date is 01/08/2016
Project End Date:	The program end date is 31/07/2020
Project Manager:	The Project Manager is Mr. David Chege
Project Sponsor:	The program sponsors are the European Union, which will contribute 100%, Government of Kenya (GOK) which will supplement the activities not covered by the sponsor.

**1.3 Project Overview**

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Environment and Forestry.
Project number	FED/2016/375-958
Strategic goals of the project	The strategic goals of the project are as follows: Improving the quality and quantity of ecosystems services of Kenya's critical water towers through increased forest cover , improved landscape and natural resource management and waste management system leading to increased benefits to rural communities
Achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> <li>(i) Enhanced Landscape management through harmonized development planning processes</li> <li>(ii) Ecosystem rehabilitation and restoration</li> <li>(iii) Opportunities in landscape management developed</li> <li>(iv) Park infrastructure development</li> <li>(v) Improved ecosystem resilience</li> <li>(vi) Green Growth Practices applied in the landscape management</li> </ul> <p>As at the reporting date, a number of achievements had been achieved all at various degree of completion as indicated below;</p> <ul style="list-style-type: none"> <li>i) Enhanced Landscape management through harmonized development planning processes- Development of a harmonised framework for formulating Integrated management plans at 100% complete, Environment Monitoring system at 100% complete, Project web based M&amp; E system at 100% complete</li> <li>ii) Ecosystem rehabilitation and restoration- 260Ha had been planted but are not under protection or maintenance under project funds due to the suspension of the project by the donor, 4 forest blocks are in the process of acquiring title deeds and the process is at 60% complete</li> </ul>

**Kenya Water Towers Project**

**Annual Report and Financial Statements for the financial year ended June 30, 2022**

	<p>iii) Opportunities in landscape management developed- Support to forest park development awareness creation undertaken to cover 11 counties,3 sites covered under participatory sites survey for forest park and infrastructure development, Support development of Arboretum and green spaces (County) 2 forums out of 11 held, Training facilitators /extension staff conducted for 20 staff who started and were running 14 farmer field schools</p> <p>iv) Park infrastructure development; - Consultancy to carry out feasibility studies, and develop concepts for forest parks complete and thus at 100%</p> <p>v) Improved ecosystem resilience; - Capacity building sessions on the identified knowledge gaps on climate change (Counties) conducted covering a total of 100 people from 11 different counties, and Capacity building sessions on the identified knowledge gaps on climate change (Communities) were conducted covering a total 100 people from 4 counties</p> <p>Green Growth Practices applied in the landscape management;- establishment of 20 energy demo plots in 8 counties done, and consultancy to develop road map to anchor environmental consciousness in schools Completed and at 100%</p>
<p>Other important background information of the project</p>	<p>Programme Steering Committee (SC) is composed of; PS MENR; EU; Treasury; CoG; CEOs – KFS, KWS, KWTA, CCD, KEFRI</p> <p>Programme Technical Committee (TC) is composed of Coordinator(MENR), EU, KEFRI, KFS, KWS, KWTA, CCD</p> <p>Project Technical Implementation Committee (TIC) is composed of Partners: KFS, KWS, KWTA, CCD</p> <p>Project Coordination is done by the Project Manager and his support team.</p> <p>Project covers Mt Elgon and Cheregany hills ecosystem and 11 counties which include West Pokot Trans-Nzoia, Elgeyo- Marakwet, Nandi Bungoma Kakamega Busia Vihiga Siaya Kisumu</p>
<p>Current situation that the project was formed to intervene</p>	<p>The project was formed to intervene in the following areas:</p> <ul style="list-style-type: none"> <li>(i) Enhance resilience to climate change</li> <li>(ii) Increase forest cover</li> <li>(iii) Improved landscape and natural resources management and waste water management systems</li> </ul>
<p>Project duration</p>	<p>The program started on 1<sup>st</sup> August 2016 and was expected to run until 31<sup>st</sup> July 2020.</p> <p>However, the donor suspended the project after an incidence that happened in Cheregany in January 2018 which was purported to be related to human rights violation though it was not related to project activities. The donor has since terminated the project and the closure process is ongoing.</p>

**Project Information and Overall Performance (Continued)**

**1.4 Bankers**

The following are the bankers for the current year:

Local Project Accounts

- (i) Kenya Commercial Bank – KWTP Euro Account No. 1181839513 Moi Avenue,  
P.O. Box 30081 – 00100, Nairobi, Kenya
- (ii) Kenya Commercial Bank – KWTP Kes Account No. 1181839106 Moi Avenue,  
P.O. Box 30081 – 00100, Nairobi, Kenya
- (iii) Co – operative Bank of Kenya – KWTP Kes Account No. 01141532868702 Stima  
Plaza Branch,  
P.O. Box 38764, Nairobi, Kenya

**1.5 Auditors**

The project is audited by the

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

**Kenya Water Towers Project**

**Annual Report and Financial Statements for the financial year ended June 30, 2022**

---

**1.6 Roles and Responsibilities**

The project management Unit (PMU) is based in Nairobi and is responsible for the project management and coordination functions. The PMU comprises of the Project Coordinator and a team of Technical Officers. The PMU is also supported by other administrative staff.

These key staffs, who form the project coordinating team that is involved in the day to day management of the project and its implementation are:

<b>Names</b>	<b>Title designation</b>	<b>Key qualification</b>	<b>Responsibilities</b>
David Chege 0722678033 dchege@kenyaforest.org	Program Coordinator	B.Sc Forestry (Hons) , MSC Diplomacy and International studies	Coordination of the day to day activities of the Program.
Eric Nahama 0722354290 enahama@gmail.com	Assistant Program Coordinator	B.Sc Forestry (Hons)	Coordination of the day to day activities of the Program.
CPA Anthony Kiumbuku 0723449481 Kiumkam@gmail.com	Project Accountant	CPA(K), BCOM (Accounts), MBA(Strategic Management) ICPAK Member	Management of the Finance function of the program
Alex Kathuku 0724530363 lexthuku2012@gmail.com	Program Officer	B.Sc Forestry (Hons)	Coordination of the day to day activities of the Program.
Victor Kobia 0735482885 Vikobia@yahoo.com	Principal Procurement Officer	MBA (Procurement & Logistics) Member of Kenya Institute of Supplies Management (KISM).	Responsible for the management of the procurement process of goods and services and safety of assets

**1.7 Funding summary**

The Project is for duration of four (4) years from 2016 to 2021 with an approved donor budget of Euros 4 Million equivalent to Kes 400 Million as highlighted in the table below:

*Kenya Water Towers Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022*

**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 June 2022)		Undrawn balance to date	
	Donor currency (A)	Kshs (A')	Donor currency Kshs (B)	Kshs (B')	Donor currency Kshs (A)-(B)	Kshs (A)-(B)
<b>(i) Grant</b>						
EU	4,000,000	440,000,000	1,531,189	174,031,114	2,468,811	265,968,886
<b>(ii) Counterpart funds</b>						
Government of Kenya	900,000	99,000,000	354,718	40,366,879	545,282	58,633,121
<b>Total</b>	<b>4,900,000</b>	<b>539,000,000</b>	<b>1,885,907</b>	<b>214,397,993</b>	<b>3,014,093</b>	<b>324,602,007</b>

*Kenya Water Towers Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022*

Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30 <sup>th</sup> June 2022)		Cumulative amount paid to date – (30 <sup>th</sup> June 2022)	Unutilised balance to date (30 <sup>th</sup> June 2022)	
	Donor currency	Kshs		Donor currency	Kshs
	(A)	(A')	(B')	(A)-(B)	(A')-(B')
(i) Grant					
European Union	1,531,189	174,031,114	107,754,444.95	583,924	66,450,575
(i) Counterpart funds					
Government of Kenya	354,718	40,366,879	39,113,349	11,015	1,253,530
<b>Total</b>	<b>1,885,907</b>	<b>214,397,993</b>	<b>146,693,888</b>	<b>594,939</b>	<b>67,704,105</b>

**Project information and overall performance (continued)**

**1.8 Summary of Overall Project Performance:**

The project was suspended by the donor in January 2018 and thus did not implement any of the lined up activities. The expenditure for the year relates to activities undertaken in support of the audit by the donor.

- i) *The project had a GOK Counterpart budget of Kes 5,000,000 and expended Kes 1,351,617 during the current year (Kes 146,693,888 accumulated expenditure).*
- ii) As at the reporting date, a number of achievements had been achieved all at various degree of completion as indicated below;
  - a) Enhanced Landscape management through harmonized development planning processes- Development of a harmonised framework for formulating Integrated management plans at 100% complete, Environment Monitoring system at 100% complete, Project web based M& E system at 100% complete
  - b) Ecosystem rehabilitation and restoration- 260Ha had been planted but are not under protection or maintenance under project funds due to the suspension of the project by the donor, 4 forest blocks are in the process of acquiring title deeds and the process is at 60% complete
  - c) Opportunities in landscape management developed- Support to forest park development awareness creation undertaken to cover 11 counties, 3 sites covered under participatory sites survey for forest park and infrastructure development, Support development of Arboretum and green spaces (County) 2 forums out of 11 held, Training facilitators /extension staff conducted for 20 staff who started and were running 14 farmer field schools
  - d) Park infrastructure development; - Consultancy to carry out feasibility studies, and develop concepts for forest parks complete and thus at 100%
  - e) Improved ecosystem resilience; - Capacity building sessions on the identified knowledge gaps on climate change (Counties) conducted covering a total of 100 people from 11 different counties, and Capacity building sessions on the identified knowledge gaps on climate change (Communities) were conducted covering a total 100 people from 4 counties
  - f) Green Growth Practices applied in the landscape management;- establishment of 20 energy demo plots in 8 counties done, and consultancy to develop road map to anchor environmental consciousness in schools Completed and at 100%
- iii) *There was value-for-money on all the project activities implemented,*
- iv) *This translated to 68% absorption level of the overall funds received since the inception of the project.*
- v) The table below summarizes the challenges encountered and recommends way forward:

**Kenya Water Towers Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2022**

---

	<b>Challenges</b>	<b>Recommendation/Way Forward</b>
1	Suspension of the project by the donor	Liaising with the donor to lift the Suspension
2	Negative publicity by CBOs representing indigenous people resulting to the suspension of the project	Ministry to deal with the issues as they are beyond project scope

**1.9 Summary of Project Compliance:**

The Project has ensured that all its activities carried out are within the laws of the Republic of Kenya and that all regulations and procedures have been followed. In cases of inconsistency between the GOK Regulations and those of the donors, the latter have been applied.

## **2. Statement of Performance against Project's Predetermined Objectives**

### **Introduction**

Section 81 (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 National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key development objectives of the *project's agreement/* plan are to: Reduce poverty through enhanced landscape productivity and resilience to climate change effect.

### **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:

**Kenya Water Towers Project**

**Annual Report and Financial Statements for the financial year ended June 30, 2022**

Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
Kenya Water Towers Project	To support Kenya eradicate poverty through enhancing the productivity of ecosystem services of Kenya's critical ecosystems and enhance resilience to climate change	Strengthened capacity of the implementing institutions for effective service delivery	No of counties using the developed harmonised planning framework  Number of institutional frameworks integrated into the harmonised planning framework	The project remained suspended during the financial year 2020/2021 and therefore there was no achievement
		Sustained provision of ecosystem goods and services in the landscape	Area protected for rehabilitation and restoration  No. of hectares of bamboo on-farm and in the forest. Established  Hectares of forest secured	
		Improved landscape productivity and household incomes	Improvement in Quality of housing % increase in Literacy levels Access to health care	
		Increased private sector participation in natural resource management	No of investment opportunities sourced  No of investment opportunities availed	
		Opportunities for human-nature interaction enhanced	No of arboreta and green spaces strategies developed  No of forest park plans developed  No of parks supported	

**3. Environmental and Sustainability reporting**

The project remained suspended in the year under review and therefore did not undertake any corporate social responsibility.

**4. Statement of Project Management responsibilities**

The Chief Conservator of Forests of Kenya Forest Service and the Project Coordinator of Kenya Water Towers Project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on June 30, 2022.

This responsibility includes;

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

The Chief Conservator of Forests of Kenya Forest Service and the Project Coordinator of Kenya Water Towers Project 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 Chief Conservator of Forests of Kenya Forest Service and the Project Coordinator of Kenya Water Towers Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2022, and of the Project's financial position as at that date. The Chief Conservator of Forests of Kenya Forest Service and the Project Coordinator of Kenya Water Towers Project 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 Chief Conservator of Forests of Kenya Forest Service and the Project Coordinator of Kenya Water Towers Project confirm that the Project has complied fully with applicable

***Kenya Water Towers Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022***

---

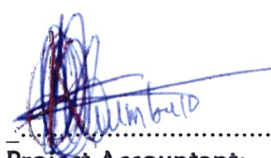
Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

**Approval of the Project Financial Statements**

The Project financial statements were approved by the Chief Conservator of Forests of Kenya Forest Service and the Project Coordinator of Kenya Water Towers Project on 30/09/ 2022 and signed by them.

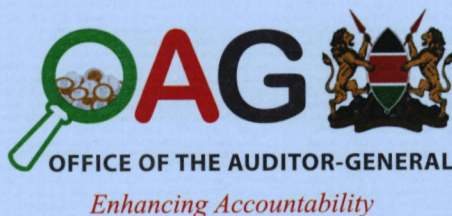
.....  
  
Chief Conservator of Forests  
Name: Julius Kamau, EBS

.....  
  
Project Coordinator  
Name: David Chege

.....  
  
Project Accountant:  
Name: Anthony Kiumbuku  
ICPAK Member Number:9107

# REPUBLIC OF KENYA

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



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

## **REPORT OF THE AUDITOR-GENERAL ON KENYA WATER TOWERS PROJECT (GRANT NO. FED/2016/375-958) FOR THE YEAR ENDED 30 JUNE, 2022 - KENYA FOREST SERVICE**

---

### PREAMBLE

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

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

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution 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 Kenya Water Towers Project (Grant No. FED/2016/375-958) set out on pages 1 to 31 which comprise of the statement of financial assets as at 30 June, 2022, and the statement of receipts and payments, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Water Towers Project as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement No. FED/2016/375-958 dated 28 July, 2016 between the European Union and the Republic of Kenya and the Public Finance Management Act, 2012.

### Basis for Opinion

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

### Key Audit Matters

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

### Other Matter

#### 1. Unresolved Prior Year Issues

In the audit report of the previous year, several issues were reported under the report on the financial statements. However, Management has not resolved the issues or provided the status of progress on follow up of auditor's recommendations as provided by the Public Sector Accounting Standards Board template and the National Treasury Circular Ref.AG.3/88/Vol.III (12) of 11 May, 2022.

In the circumstances, Management was in breach of the National Treasury guidelines.

## **2. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects total revenue budget of Kshs.5,000,000 against actual receipts of Kshs.2,500,000 resulting to revenue shortfall of Kshs.2,500,000 or 50% of the budget. Similarly, the statement reflects approved expenditure budget of Kshs.5,000,000 against actual expenditure of Kshs.1,351,617 resulting to under-expenditure of Kshs.3,648,384 or 73% of the budget.

The under-funding and the under-expenditure affected the planned activities of the Project and may have impacted negatively on service delivery to the public.

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

#### **Conclusion**

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

#### **Basis for Conclusion**

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

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

#### **Conclusion**

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

#### **Basis for Conclusion**

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

## **Responsibilities of Management and those Charged with Governance**

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

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

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

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

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

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

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities,

financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and 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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

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

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

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

  
CPA Nancy Gatirungi, CBS  
AUDITOR-GENERAL

Nairobi

18 November, 2022

**Kenya Water Towers Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2022**


**6. Statement of Receipts and Payments for the year ended 30th June 2022.**

	Note	Receipts and payments controlled by the entity	Receipts and payment controlled by the entity	Cumulative to-date (From inception)
		2021-2022	2020-2021	
<b>Receipts</b>		Kshs.	Kshs.	Kshs.
Transfer from Government entities	10.1	2,500,000	1,366,879	40,366,879
Proceeds from domestic and foreign grants	10.2	0	0	174,031,114
<b>Total receipts</b>		<b>2,500,000</b>	<b>1,366,879</b>	<b>214,397,993</b>
<b>Payments</b>				
Compensation to employees	10.3	0	0	8,190,364
Purchase of goods and services	10.4	1,351,617	1,375,991	103,084,244
Acquisition of non-financial assets	10.5	0	0	33,875,780
Transfers to other government entities	10.6	0	0	1,543,500
Other grants and transfers /payments	10.7	0	0	0
<b>Total payments</b>		<b>1,351,617</b>	<b>1,375,991</b>	<b>146,693,888</b>
<b>Surplus/ (deficit)</b>		<b>1,148,384</b>	<b>(9,112)</b>	<b>67,704,105</b>

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

  
 .....  
**Chief Conservator of Forests**  
**Name: Julius Kamau, EBS**

  
 .....  
**Project Coordinator**  
**Name: David Chege**

  
 .....  
**Project Accountant:**  
**Name: Anthony Kiumbuku**  
**ICPAK Member Number:9107**

*Kenya Water Towers Project*

*Annual Report and Financial Statements for the financial year ended June 30, 2022*

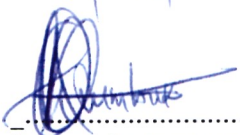
7. Statement of Financial Assets as at 30<sup>th</sup> June 2022

Description	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Financial Assets</b>			
<b>Cash and Cash equivalents</b>			
Bank Balances	10.8	5,807,596	66,546,524
<b>Total Cash and Cash equivalents</b>		<b>5,807,596</b>	<b>66,546,524</b>
Imprests and Advances	10.9	4,381	9,197
<b>Total Financial Assets</b>		<b>5,811,977</b>	<b>66,555,721</b>
<b>Represented By</b>			
Fund Balance B/fwd.	10.10	66,555,721	66,564,834
Remittance of Un Utilized Funds	10.11	(61,892,128)*	0
Surplus/(Deficit) for the Year		1,148,384	(9,112)
<b>Net Financial Position</b>		<b>5,811,977</b>	<b>66,555,721</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30/09/2022 and signed by:

  
.....  
Chief Conservator of Forests  
Name: Julius Kamau, EBS

  
.....  
Project Coordinator  
Name: David Chege

  
.....  
Project Accountant:  
Name: Anthony Kiumbuku  
ICPAK Member Number:9107

\*The Project returned Euros 488,706 during the year being a debit note issued by the donor.


*Kenya Water Towers Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022*

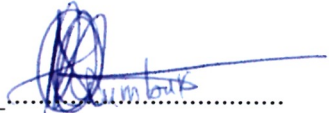
Statement of Cashflow for the year ended 30<sup>th</sup> June 2022

Description	Notes	2021-2022	2020-2021
		Kshs	Kshs
<b>Cashflow from operating activities</b>			
<b>Receipts</b>			
Transfer from government entities	10.1	2,500,000	1,366,879
<b>Payments</b>			
Compensation of employees	10.3	0	0
Purchase of goods and services	10.4	(1,351,617)	(1,375,991)
<b>Adjustments during the year</b>			
Decrease/(increase) in accounts receivable	10.12	4,816	7,260
<b>Net cash flow from operating activities</b>		<b>1,153,199</b>	<b>(1,852)</b>
<b>Cashflow from investing activities</b>			
Acquisition of non-financial assets	10.5	0	0
<b>Net cash flows from investing activities</b>		<b>0</b>	<b>0</b>
<b>Cash flow from financing activities</b>			
Refund of UnUtilized Funds		(61,892,128)	0
<b>Net cash flow from financing activities</b>		<b>(61,892,128)</b>	<b>0</b>
Net increase in cash and cash equivalents		<b>(60,738,929)</b>	<b>(1,852)</b>
<b>Cash and cash equivalent at beginning of the year</b>	<b>10.10</b>	<b>66,546,525</b>	<b>66,548,377</b>
<b>Cash and cash equivalent at end of the year</b>	<b>10.10</b>	<b>5,807,596</b>	<b>66,546,525</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/09/2022 and signed by:

.....  
  
 Chief Conservator of Forests  
 Name: Julius Kamau, EBS

.....  
  
 Project Coordinator  
 Name: David Chege

.....  
  
 Project Accountant:  
 Name: Anthony Kiumbuku  
 ICPAK Member Number:9107

*Kenya Water Towers Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022*


8. Statement of Comparison of Budget and Actual amounts for the year ended 30<sup>th</sup> June 2022

Receipts/Payments Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
<b>Receipts</b>						
Transfer from Government entities	5,000,000		5,000,000	2,500,000	2,500,000	50.00
Proceeds from domestic and foreign grants						
Proceeds from borrowings						
Miscellaneous receipts						
<b>Total Receipts</b>	<b>5,000,000</b>	<b>-</b>	<b>5,000,000</b>	<b>2,500,000</b>	<b>2,500,000</b>	<b>50.00</b>
<b>Payments</b>						
Compensation to employees						
Purchase of goods and services	5,000,000		5,000,000	1,351,617	3,648,384	27.03
Social security benefits						
Acquisition of non-financial assets						
Transfers to other government entities						
Other grants and transfers						
<b>Total Payments</b>	<b>5,000,000</b>	<b>-</b>	<b>5,000,000</b>	<b>1,351,617</b>	<b>3,648,384</b>	<b>27.03</b>
<b>Surplus or Deficit</b>	<b>0</b>		<b>0</b>	<b>1,148,384</b>	<b>(1,148,384)</b>	

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



.....  
Chief Conservator of Forests  
Name : Julius Kamau, EBS



.....  
Project Coordinator  
Name: David Chege



.....  
Project Accountant:  
Name: Anthony Kiumbuku  
ICPAK Member Number:9107

## **9. Significant Accounting Policies**

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

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

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of accounting, as prescribed by the PSASB and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for;

- a) Receivables that include 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.

### **9.2 Reporting entity**

The financial statements are for Kenya Water Towers Project under Kenya Forest Service. The financial statements are for the reporting entity Kenya Water Towers Project as required by Section 81 of the PFM Act, 2012 .

### **9.3 Reporting currency**

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

### **9.4 Recognition of receipts**

Kenya Water Towers Project recognises all receipts from the various sources when the event occurs, and the related cash has actually 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.

#### **ii) External Assistance**

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

**Significant Accounting Policies (Continued)**

**iii) Other receipts**

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

**iv) Donations and grants**

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

**v) Proceeds from borrowing**

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

**vi) Undrawn external assistance**

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

**9.5 Recognition of payments**

The Project recognises all payments when the event occurs, and the related cash has actually 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.

**Significant Accounting Policies (Continued)**

**ii) Use of goods and services**

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

**iii) Interest on borrowing**

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

**iv) Repayment of borrowing (principal amount)**

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

**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.

**9.6 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)**

**9.7 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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**9.8 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.

**9.9 Imprests and Advances**

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

**9.10 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:

**Significant Accounting Policies (Continued)**

- 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 5** of this financial statement is a register of the contingent liabilities in the year.

**9.11 Contingent Assets**

Kenya Water Towers Project does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Kenya Water Towers Project 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.

**9.12 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.

### **Significant Accounting Policies (Continued)**

#### **9.13 Budget**

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

#### **9.14 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. During the year, Kshs 0 billion being loan disbursements were received in form of direct payments from third parties.

#### **9.15 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. The donor **does not** allow for 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 to be recognized in the statements of receipts and payments.

**Significant Accounting Policies (Continued)**

**9.16 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.

**9.17 Subsequent events**

Kenya Water Towers Project closed all its bank accounts in July 2022 and remitted the outstanding balances to the main Kenya Forest Service development account.

**9.18 Prior period adjustments**

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). Explanations and details of these prior period adjustments are presented *in note 10.11 of these financial statements*

**10. Notes to the Financial Statements**

**10.1 Transfers from Government entities**

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

Description	KShs	KShs	Cumulative to-date (from inception)
	2021-2022	2020-2021	
<i>Counterpart funding through Ministry 0</i>			
Counterpart funds Quarter 1	2,500,000	1,366,879	40,366,879
Counterpart funds Quarter 2	0	0	0
Counterpart funds Quarter 3	0	0	0
Counterpart funds Quarter 4	0	0	0
<b>Total (See Annex 2)</b>	<b>2,500,000</b>	<b>1,366,879</b>	<b>40,366,879</b>
<i>Other transfers from government entities</i>			
Appropriations-in-Aid	0	0	0
<b>Total</b>	<b><u>2,500,000</u></b>	<b><u>1,366,879</u></b>	<b><u>40,366,879</u></b>

**Kenya Water Towers Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022**

**Notes to the Financial Statements (Continued)**

**10.2 Proceeds From Domestic and Foreign Grants**

During the financial period to 30 June 2022, we received grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment*	Grants received in kind	Total amount in Kshs	
						2021-2022 Kshs	2020-2021 Kshs
Grants Received from Bilateral Donors (European Union)	0	0	0	0	0	0	0
Insert name of foreign Government	0	0	0	0	0	0	0
Grants Received from Multilateral Donors (International Organizations)	0	0	0	0	0	0	0
Insert name of international organization	0	0	0	0	0	0	0
Grants Received from Local Individuals and organizations	0	0	0	0	0	0	0
Insert name of individual or local organization	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0

(\* The direct payment grants represent payments for goods and services done directly by the donor on behalf of the project)

*Kenya Water Towers Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022*

Notes to the Financial Statements (Continued)

10.3 Compensation to Employees

	2021/2022			2020/2021	
	Payments made by the Entity in Cash Kshs	Payments made by third parties Kshs	Total payments Kshs	Total payments Kshs	Cumulative to-date Kshs
-					
Basic salaries of permanent employees	0	0	0	0	0
Basic wages of temporary employees	0	0	0	0	0
Personal allowances paid as part of salary	0	0	0	0	0
Personal allowances paid as reimbursements	0	0	0	0	0
Personal allowances provided in kind	0	0	0	0	0
Pension and other social security contributions	0	0	0	0	0
Compulsory national social security schemes	0	0	0	0	0
Compulsory national health insurance schemes	0	0	0	0	0
Social benefit schemes outside government	0	0	0	0	0
Other personnel payments	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

*Kenya Water Towers Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022*

Notes to the Financial Statements (Continued)

10.4 Purchase of Goods and Services

	2021/2022			2020/2021	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments		
	Kshs	Kshs	Kshs		
Telephone, Computer Internet	0	0	0	5,000	691,736
Travel Costs (airlines, bus, railway)	0	0	0	0	348,425
Accommodation - Domestic Travel	0	0	0	0	15,816,707
Daily Subsistence Allowance	1,234,100	0	1,234,100	1,104,600	27,155,254
Publishing and Printing Services	0	0	0	0	0
Advertising, Awareness and Publicity	0	0	0	0	369,788
Training	0	0	0	0	132,900
Remuneration of Instructors	0	0	0	0	1,109,214
Production and Printing of Training Materials	0	0	0	0	993,269
Hire of Training Facilities and Equipment	0	0	0	0	77,778
Motor Vehicle Insurance	0	0	0	0	1,465,351
Workshop Tools, Spares and Small Equipment	0	0	0	0	491,000
General Office Supplies (e.g : papers)	0	0	0	30,000	896,059
Cleaning Materials, Supplies and Services	0	0	0	0	25,000
Catering services	0	0	0	0	885,746

*Kenya Water Towers Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022*

	2021/2022			2020/2021	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments		
Refined Fuels and Lubricants	110,000	0	110,000		4,042,390
Bank Charges	7,517	0	7,517	7,758	223,897
Contracted Professional Services	0	0	0	0	9,739,960
Boards and Committees	0	0	0	0	18,200
Events and Celebrations	0	0	0	0	642,289
Tree seeds and seedlings.	0	0	0	0	17,320,336
Supplies for production	0	0	0	0	81,336
Seminars and Conferences	0	0	0	228,633	9,746,546
Tree Planting	0	0	0	0	8,931,725
Land Levies	0	0	0	0	750,000
Maintenance - Motor Vehicles	0	0	0	0	1,000,789
Maintenance of Buildings and Stations	0	0	0	0	43,550
Maintenance of Computers, Networks	0	0	0	0	85,000
<b>Total</b>	<b><u>1,351,617</u></b>	<b><u>0</u></b>	<b><u>1,351,617</u></b>	<b><u>1,375,991</u></b>	<b><u>103,084,245</u></b>

*The travelling costs were incurred during the audit by the donor.*

**Kenya Water Towers Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022**

**Notes to the Financial Statements (Continued)**

**10.5 Acquisition of Non-Financial Assets**

	Payments made in Cash		Payments made by third parties		Total payments		Cumulative to-date
	Kshs.	Kshs.	Kshs.	Kshs.	2020-2021	Kshs	
Purchase of Motor Vehicles	0	0	0	0	0	0	26,959,400
Purchase of Motor Cycles	0	0	0	0	0	0	4,125,000
Purchase of Computers	0	0	0	0	0	0	2,294,880
Purchase of ICT and Communication equipment	0	0	0	0	0	0	260,000
Purchase of Office equipment	0	0	0	0	0	0	225,500
Purchase of Household Equipment	0	0	0	0	0	0	11,000
<b>Total</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>33,875,780</u>

*Kenya Water Towers Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022*

**Notes to the Financial Statements (Continued)**

**10.6 Transfers to other Government Entities**

During the financial period to 30 June 2022, we transferred funds to reporting government entities as shown below:

	Payments made in Cash		Payments made by third parties		Total payments	Total payments 2021-2020	Cumulative to-date
	Kshs	Kshs	Kshs	Kshs			
Transfers to National Government entities							
Kenya Water Towers Agency	0	0	0	0	0	0	240,000
Kenya Wildlife Services	0	0	0	0	0	0	240,000
Climate Change Directorate	0	0	0	0	0	0	240,000
<b>Total</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>720,000</u>
<b>Transfers to Others</b>							
<b>CFAs</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>823,500</u>
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>823,500</u>
<b>TOTAL</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,543,500</u>

*We have confirmed that the beneficiary institutions have received the funds and have recorded these as inter-entity receipts. We have attached these duly signed confirmations as an Appendix to the financial statements).*

*Kenya Water Towers Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022*

Notes to the Financial Statements (Continued)

10.7 Other Grants, Transfers and Payments

	Payments made in Cash	Payments made by third parties	Total payments	Total payments	Cumulative to-date
	Kshs	Kshs	Kshs	2020-2021 Kshs	Kshs
	<b>2022-2021</b>				
	Kshs	Kshs	Kshs	Kshs	Kshs
Grants for scholarships	0	0	0	0	0
Transfers to lower levels of government e.g. schools	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Notes to the Financial Statements (Continued)**

**10.8 Cash And Cash equivalents**

Description	2021-2022	2020-2021
	Kshs	Kshs
Bank accounts (Note 10.8 A)	5,807,596	66,546,524
Cash in hand	0	0
Cash equivalents (short-term deposits)	0	0
<b>Total</b>	<b><u>5,807,596</u></b>	<b><u>66,546,524</u></b>

Kenya Water Towers Project has three (3) project accounts spread within the project implementation area and zero (0) foreign currency designated accounts managed by the National Treasury as listed below:

**10.8 A Bank Accounts**

**Project Bank Accounts**

Details	2021-2022	2020-2021
	Kshs	Kshs
<u>Foreign Currency Accounts</u>		
Kenya Commercial Bank EUR [A/c No:1181839513]	4,554,066	3,329,027
Total Foreign Currency balances	<b><u>4,554,066</u></b>	<b><u>3,329,027</u></b>
<u>Local Currency Accounts</u>		
Kenya Commercial Bank Kes [A/c No: 1181839106]	0	63,116,988
Co-operative Bank of Kenya Kes [A/c No. 01141532868702]	1,253,530	100,510
Total local currency balances	<b><u>1,253,530</u></b>	<b><u>63,217,498</u></b>
Total bank account balances	<b><u>5,807,596</u></b>	<b><u>66,546,524</u></b>

*\*The Euro amount has been translated at a rate of Kes124.15*

**Notes to the Financial Statements (Continued)**

**Special Deposit Accounts**

The Project does not have any special deposit account

*Kenya Water Towers Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022*

---

**Notes to the Financial Statements (Continued)**

**10.9 Imprests and Advances**

<i>Name of Officer or Institution</i>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Ecosystem Conservator Busia	0	2,430
Ecosystem Conservator Elgeyo Maraket	0	-
Ecosystem Conservator Kakamega	2,389	2,389
Ecosystem Conservator Kisumu	0	461
Ecosystem Conservator Nandi	0	-
Ecosystem Conservator Siaya	0	-
Ecosystem Conservator Trans Nzoia	0	1,925
Ecosystem Conservator Uasin Gishu	0	-
Ecosystem Conservator Vihiga	0	-
Ecosystem Conservator West Pokot	1,118	1,118
Kenya Water Towers Agency	875	875
<b>Total</b>	<b>4,381</b>	<b>9,197</b>

*Kenya Water Towers Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022*

Notes to the Financial Statements (Continued)

10.9b: Breakdown of Imprests and Advances

<i>Name of Officer or Institution</i>	<i>Amount Taken</i>	<i>Due Date of Surrender</i>	<i>Amount Surrendered</i>	<i>Balance 2022</i>	<i>Balance 2021</i>
Ecosystem Conservator Busia	2,787,930	02-Dec-16	2,787,930	0	2,430
Ecosystem Conservator Elgeyo Maraket	4,917,812	02-Dec-16	4,917,812	0	-
Ecosystem Conservator Kakamega	1,382,500	02-Dec-16	1,380,112	2,389	2,389
Ecosystem Conservator Kisumu	1,198,797	02-Dec-16	1,198,797	0	461
Ecosystem Conservator Nandi	2,085,215	02-Dec-16	2,085,215	0	-
Ecosystem Conservator Siaya	1,382,500	02-Dec-16	1,382,500	0	-
Ecosystem Conservator Trans Nzoia	5,090,663	02-Dec-16	5,090,663	0	1,925
Ecosystem Conservator Uasin Gishu	1,584,495	02-Dec-16	1,584,495	0	-
Ecosystem Conservator Vihiga	2,085,215	02-Dec-16	2,085,215	0	-
Ecosystem Conservator West Pokot	2,084,772	02-Dec-16	2,083,654	1,118	1,118
Kenya Water Towers Agency	9,479,540	16-Mar-17	9,478,666	875	875
<b>Total</b>	<b>34,079,439</b>		<b>34,075,059</b>	<b>4,381</b>	<b>9,197</b>

10.10 Fund Balance Brought Forward

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Bank accounts	5,807,596	66,546,524
Cash in hand	0	0
Cash equivalents (short-term deposits)	0	0
Outstanding imprests and advances	4,381	9,196
<b>Total</b>	<b>5,811,977</b>	<b>66,555,720</b>

**Notes to the Financial Statements (Continued)**

**10.11 Prior Year adjustment**

	<b>Balance b/f FY (2020/2021 audited financial statements)</b>	<b>Adjustments</b>	<b>Adjusted balance b/f FY 2020/2021</b>
<b>Description of the error</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Bank account Balances	0	0	0
Cash in hand	0	0	0
Accounts Payables	0	0	0
Receivables	0	0	0
Others ( <i>specify</i> )	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

*The Project returned Euros 488,706 during the year being a debit note issued by the donor equivalent to Kes 61,892,128.*

**10.12 Changes in Receivable**

<b>Description</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Opening Receivables as at 1 <sup>st</sup> July 2021	9,196	16,456
Closing account receivables as at 30 <sup>th</sup> June 2022	4,381	9,196
<b>Change in Receivables</b>	<b>(4,816)</b>	<b>(7,260)</b>

***Kenya Water Towers Project***

***Annual Report and Financial Statements for the financial year ended June 30, 2022***

---

**11. Other Important Disclosures**

**1. Pending Accounts Payable (See Annex 3a)**

None

**2. Pending Staff Payables (See Annex 3b)**

None

**3. Other Pending Payables (See Annex 3c)**

None

**4. External Assistance**

None

**Kenya Water Towers Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022**

**12. 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)
1	<p>The Kenya Water Towers project (KWTP) was suspended by the donor (E.U.) citing violation of forests' people rights by Kenya Forest Service while implementing the project in one of the water towers and as previously reported the suspension has not been lifted. The program started on 1 August</p>	<p>As previously stated in the 2019-2020 Financial year audit, the WaTER towers project was being implemented in two of Kenya's five major water towers; the Cheregany and Mt. Elgon.</p> <p>Note that the project was never implemented in Mau ecosystem.</p> <p>The project was suspended after an incidence that happened in Cheregany in January 2018 which was purported to be related to human rights violation though it was not related to project activities. Following the suspension, all project activities were affected and KFS through the</p>	Not Resolved	31-Dec-2022

**Kenya Water Towers Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022**

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>2016 and was expected to run until 31 July 2020. As the KWTP was being undertaken, in the Mau, the Ogiek community living in Mau Forest took the Republic of Kenya to the African Court on Human and Peoples' Rights claiming that they were being forcefully evicted from their ancestral land- the Mau Forest. The judgment of this case</p>	<p>Ministry of Environment and Forestry has been engaging the Donor in an effort to lift the suspension. KFS facilitated the independent assessment in Embobut as demanded by the donor as one of the conditions for lifting the suspension.</p> <p>KFS also acknowledges the need to involve all communities in the implementation of forestry projects and programmes and it is for this reason that it has embraced the Participatory Forest Management Framework (PFM) operationalized through the Community Forest Associations (CFA) as required by the Forest Conservation and Management Act 2016. All forests are managed in close collaboration with all stakeholders including</p>		

*Kenya Water Towers Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022*

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>was delivered in the month of May 2017 where the Court found that Kenya had violated 7 provisions of the African Charter on Human and Peoples' Rights by evicting the Ogiek from the Mau forest. In addition, in the same month, the UN committee on the Elimination of Racial Discrimination, expressed its concerns</p>	<p>forest adjacent communities through a participatory frame work.</p> <p>Following the African Court on Human and Peoples Rights ruling on the Ogiek Community of Mau, the government gazetted the task force on the implementation of the decision of the African Court on Human and Peoples Rights issued against the Government of Kenya in respect of the rights of the Ogiek Community of Mau. The Government of Kenya Set up a taskforce to help address the Ogiek case as per GN/10944/2017, the main terms of reference for the African Court decision and all land related laws and policies, with a view to addressing the Ogiek claims of</p>		

*Kenya Water Towers Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022*


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>about reports on the eviction in Embobut forest. The committee called for Kenya to acknowledge the rights of the Sengwer, the Endorois, Ogiek and all other indigenous peoples. It was concluded that Kenya ought to carry out effective consultations between relevant parties and communities likely to be</p>	<p>restitution or compensation. The Government of Kenya has been in active consultation with the African Court on Human and Peoples Rights in relation to the reparation claims. The taskforce which also addressed its self to other land claims including that of the Sengwer community has since finalized its report and the report handed over to the government for implementation. Consequently, the government through a presidential directive is addressing the issue of land rights of the Ogiek community of Eastern Mau.</p> <p>Further, Kenya Forest Service together with Kenya National Commission on Human Rights (KNCHR) are working together to ensure Human Rights</p>		


**Kenya Water Towers Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022**

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>affected by the projects with a view to obtaining free, prior and informed consent of indigenous communities before implementing future projects.</p> <p>Further, although the statement of performance objectives indicates project dates runs from 2018-2022 it is not clear whether the project was given an extension by the donor</p>	<p>Based Conservation Protection and Management of Forests. This initiative has seen the development of Curriculum and Training Manual for mainstreaming Human Rights Based Approach in forest Conservation Protection and Management targeting all KFS staff and stakeholders in the forest sector.</p> <p>In addition, KFS with Assistance from KNCHR and UNDP has developed Environmental and Social Safeguards guidelines for Kenya forest service projects and programmes. The guidelines will ensure that all projects and programs implemented by KFS undergo the necessary assessments to identify, evaluate and manage the associated social and environment risks and</p>		

**Kenya Water Towers Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022**

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>as no evidence was availed to that effect. For the year under audit 2019-2020, the project remained suspended and therefore there were no achievements.</p>	<p>impacts. This will facilitate compliance and consistency with the different social and environmental safeguards set by different development partner and funding agencies. The Project Management is in the process of closing the project as guided by the donor.</p>		

  
 .....  
**Chief Conservator of Forests**  
**Name: Julius Kamau, EBS**

  
 .....  
**Project Coordinator**  
**Name: David Chege**

*Kenya Water Towers Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022*

**13. Annexes**

**Annex1 - Variance explanations - Comparative Budget and Actual amounts for FY 2021-2022**

	<b>Final Budget</b>	<b>Actual on Comparable Basis</b>	<b>Budget Utilization Difference</b>	<b>% of Utilization</b>	<b>Comments on Variance (below 90% and over 100%)</b>
	<b>a</b>	<b>b</b>	<b>c=a-b</b>	<b>d=b/a %</b>	
<b>Receipts</b>					
Transfer from Government entities	<b>5,000,000</b>	2,500,000	2,500,000	50.00	
Proceeds from domestic and foreign grants					
Proceeds from borrowings					
Miscellaneous receipts					
<b>Total Receipts</b>	<b>5,000,000</b>	<b>2,500,000</b>	<b>2,500,000</b>	<b>50.00</b>	
<b>Payments</b>					
Compensation of employees					
Purchase of goods and services	5,000,000	1,351,617	3,648,384	27.03	
Social security benefits					
Acquisition of non-financial assets					
Transfers to other government entities					
Other grants and transfers					
<b>Total payments</b>	<b>5,000,000</b>	<b>1,351,617</b>	<b>3,648,384</b>	<b>27.03</b>	
					<b>Project Suspended by the donor</b>

**Kenya Water Towers Project**

**Annual Report and Financial Statements for the financial year ended June 30, 2022**

**Annex 2: Reconciliation of inter-entity transfers**

No Inter Entity Transactions during the year

**Annex 3a - Analysis of Pending Bills**

No Pending Bills during the year

**Annex 3b - Analysis of Pending: Staff Bills**

No Pending Bills during the year

**Annex 3c - Analysis of other Pending Payables**

No Pending Bills during the year

**Annex 4 – Summary of Fixed Assets Register**

Asset class	Opening Cost (KShs) 20xx/xx	Donations in form of assets (KShs) 20xx/xx	*Purchases/ Additions in the Year (KShs) 20xx/xx	**Disposals in the Year (KShs) 20xx/xx	Transfers in/(out) Kshs 20xx/xx	Closing Cost (KShs) 20xx
	(a)	(b)	(c)	(d)	(d)	(e)= (a)+ (b)+c) - (d)+(- d)
Motor Vehicles	26,959,400					26,959,400
Motor Cycles	4,125,000					4,125,000
Computers and ICT Equipments	2,554,880					2,554,880
Office and Household Equipments	236,500					236,500
<b>Total</b>	<b>33,875,780</b>					<b>33,875,780</b>

**Annex 5 – Contingent Liabilities Register**

No Contingent Liabilities

**Annex: 6 Reporting of Climate Relevant Expenditures**

None

**Annex 7 Disaster Expenditure Reporting Template**

None

**Annex 8: Other Support Documents**

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations statement as at 30<sup>th</sup> June 2022
- iii. Board of Survey Report
- iv. Special Deposit Account(s) reconciliation statement(s)
- v. GOK IFMIS comparison Trial Balance