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**THE AUDITOR-GENERAL**

**ON**

**STRENGTHENING DROUGHT RESILIENCE  
FOR SMALL HOLDER FARMERS AND  
PASTORALISTS IN THE IGAD REGION  
PROJECT NO.03/DRESS-EA/07/OSS-KE/20**

**FOR THE YEAR ENDED  
30 JUNE, 2024**

**STATE DEPARTMENT FOR ENVIRONMENT  
AND CLIMATE CHANGE**



**PROJECT NAME: STRENGTHENING DROUGHT RESILIENCE FOR SMALL  
HOLDER FARMERS AND PASTORALISTS IN THE IGAD REGION**

**IMPLEMENTING ENTITY: STATE DEPARTMENT OF ENVIRONMENT AND  
CLIMATE CHANGE**

**PROJECT GRANT: 03/DRESS-EA/07/OSS-KE/20**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2024**

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

*Strengthening Drought Resilience for Small Holder Farmers and Pastoralists in the IGAD Region*  
*Annual Report and Financial Statements for the financial year ended June 30, 2024*

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## **1. Acronyms and Glossary of Terms**

CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
WB	World Bank
DRESSEA	Strengthening Drought Resilience for small holder farmers and Pastoralist
COMPARATIVE FY	Financial year preceding the current financial year.
PS	Principal Secretary
OSS	Objection Sahara Sahel Observatory
NPMU	National Project Management Unit.

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

### **2.1 Name and registered office**

The project's official name is: **Strengthening Drought Resilience for Small Holder Farmers and Pastoralists in the IGAD Region**

#### **Objective**

The overall objective of the project is to increase the resilience of smallholder farmers and pastoralists to climate change risks mainly those related to drought, through the establishment of appropriate early warning systems and implementation of drought adaptation actions in the IGAD region

#### **Address.**

The address of its registered office is:

**Strengthening Drought Resilience for Small Holder Farmers and Pastoralists in the IGAD Region**

#### **Project unit.**

Ministry of Environment and Forestry  
NHIF Building, Upper Hill,  
P.O. Box 30126 - 00100  
Nairobi.

#### **Contacts:**

Telephone: 254-20-2730808/9, Ext. 1258,  
E-mail: [psoffice@environment.go.ke](mailto:psoffice@environment.go.ke)  
Website: [www.environment.go.ke](http://www.environment.go.ke)

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

**2.2 Project Information**

Project Start Date:	The project start date is October, 2020
Project End Date:	The project end date is 9 <sup>th</sup> April, 2026
Project Manager:	The project Co-ordinator is Mr. Samuel Muchiri
Project Sponsor:	The project Sponsor is Adaptation Fund

**2.3 Project Overview**

Line Ministry/State Department of the project	The project is under supervision of State Department Of Environment and Climate Change
Project number	03/DRESS-EA/07/OSS-KE/20
Strategic goals of the project	<p>The strategic goals of the project are as follows:</p> <p><b>Component 1:</b> Development and enhancement of a regional drought early warning system</p> <p>Increased use of effective Early Warning Systems by stakeholders through Efficient and effective drought early warning (DEWS) in place/developed, Institutional linkages for Early Warning (EW) information established, Feedback mechanism for EW information developed and Emergency plan for drought management is put in place.</p> <p>Activities and projects being developed by project includes assess the status of early warning system (EWS) in the country and the update options of traditional EWS with modern EW technologies. Develop an EWS prototype to be used at the regional and national levels. Develop/Review EW information sharing frameworks at regional. National and sub-national levels. Develop an implementation action plan to operationalize the frameworks among others</p> <p><b>Component 2:</b> Strengthening the capacity of stakeholders to manage drought risks due to climate change effects;</p> <p>This is through strengthening and improving the adaptive</p>

	<p>capacity of various stakeholders including women and youth that are affected by climate change induced drought and contribute to drought adaptation and resilience in various ways. Such stakeholders include extension agents, artisans, local government or sub-national and national as well as regional leaders including technical and non-technical plus the smallholder farmers and pastoralists in the four selected countries/areas.</p> <p>This project seeks to, first of all, understand the stakeholders' needs in drought adaptation and contribute to developing their capacity to plan and manage droughts if their resilience is to be enhanced. Based on such needs, capacity building plans including developing the appropriate tools and materials will be supported</p> <p><b>Component 3:</b> Drought and climate change adaptation actions;</p> <p>This is through increasing resilience of smallholder farmers and pastoralists by supporting them to undertake concrete innovative and appropriate sustainable land, water, crops and livestock management measures or technologies.</p> <p>This is by seeking to understand the current status of water security by focusing on surface and groundwater resources, soil and water conservation, crop and livestock production and sources of incomes.</p> <p>This will be achieved through: developing soil and water conservation, water harvesting and storage structures e.g. simplified water jars, rock water harvesting, construction of sunken sand dams and water ponds. Mini-irrigation systems to support crops during water stress will be constructed. Underground water sources e.g. construction of boreholes and water wells will be constructed. Drought resistant pastures and crops will be promoted to enhance the resilience of pastoralists and farmers.</p>
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	<p>The competitive small grants scheme will focus on encouraging and rewarding the efforts of the most vulnerable among smallholder farmers and pastoralists such as the women, youth and elderly. Such efforts sought for evaluation will be on drought adaptation actions or IGAs. The innovativeness of the competitive grant scheme will include interventions on alternatives energy sources (solar, improved energy stoves, etc.), energy saving innovations, interlocking blocks and charcoal briquettes manufactured from household waste such as briquettes from crop residues will be promoted</p> <p><b>Component 4:</b> Knowledge management and awareness creation;</p> <p>There is limited awareness on drought risks and adaptation actions amongst stakeholders leading to poor planning and responses to drought risks and disasters with low crop and livestock yields hence food insecurity and low incomes. This component seeks to support knowledge generation, packaging, and dissemination between and across stakeholders in various institutions within the targeted countries in the region.</p> <p>This will facilitate institutions to generate knowledge on drought risk management, undertaking study tours and exchange visits, documenting lessons learned or best practices and generally facilitating knowledge exchange. The information, lessons learned, best practices and innovative technologies will be documented and shared for the use by various stakeholders.</p>
<p>Summary of Project Strategies for achievement of strategic goals</p>	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> <li>(i) Establishment of the requisite coordination structures right from the regional to community level. The project has already established regional steering committee, national steering committee and county</li> </ul>

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	<p>and community management units.</p> <p>(ii) Using of community participatory methods to enhance ownership and targeted response to community priorities.</p> <p>(iii)Active participation and collaboration with the respective counties for greater project sustainability</p>
Other important background information of the project	<p>Kenya has developed National Adaptation Plan 2015-2030 that has identified short, medium- and long-term adaptation actions for various sectors to build adaptive capacity, resilience and minimize community vulnerabilities. The NAP 2015-2030 actions are further elaborated in the National Climate Change Action Plan (NCCAP) 2018-2022. The Ministry of Environment and Forestry received financing from the Adaptation Fund (AF) through the Sahara and Sahel Observatory (OSS) towards supporting Strengthening Drought Resilience for Small Holder Farmers and Pastoralists to help the country implement the NCCAP 2018-2022 and subsequent NCCAP's.</p>
Areas that the project was formed to intervene	<p>Kenya like many other developing countries are highly vulnerable to climate change, the country in its main climate change planning document that is National Climate Change Action Plan 2018-2022 indicated that the country needs 1.8 Trillion to implement the 5year document. Subsequently the National Determined Contribution updated by Kenya in December 2020 requires a total of USD 62B up to 2025 to implement. Raising this amount internally is quite a challenge and hence the development of projects and programs to resource mobilize to help the country implement these planning documents so as to attain the desired low carbon climate resilient development.</p> <p>The project will be implemented in Samburu and Kitui counties</p>
Project duration	<p>The project started on October 2020 and is expected to run until September 2024.</p>

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

**2.4 Banker**

The following are the bankers for the current year:

Central Bank of Kenya 1000495898 - Project Operating Account

**2.5 Independent Auditor**

The project is audited by the Office of the Auditor General.

**2.6 Roles and Responsibilities**

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

<b>Names</b>	<b>Title designation</b>	<b>Key qualification</b>	<b>Responsibilities</b>
Dr. Eng.Festus K. Nge'no	Principal secretary	MSc Environmental & biosystem Engineering	Accounting Officer
Samuel Muchiri	National Project Coordinator	Msc Environmental Management	Project Coordinator
Leah Kanunka	Project Assistant	Bachelor of Economics and Mathematics	Project assistant

**2.7 Funding summary**

The Project is for duration of 4 years from October 2020 to September 2024 with an approved budget of US\$ 2,491,480 equivalent to Kshs 286,520,200 using a dollar rate of 115 as highlighted in the table below:

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**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 <sup>th</sup> June 2024)		Undrawn balance to date	
	Donor currency	Kshs	Donor currency Kshs	Kshs	Donor currency Kshs	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>(i) Grant</b>						
Adaptation	2,491,480	286,520,200	249,968	30,590,616	2,241,513	255,929,584
<b>Total</b>	<b>2,491,480</b>	<b>286,520,200</b>	<b>249,968</b>	<b>30,590,616</b>	<b>2,241,513</b>	<b>255,929,584</b>
<b>(ii) Counterpart funds</b>						
Government of Kenya	-	-	-	-	-	-
<b>Total</b>	<b>2,491,480</b>	<b>286,520,200</b>	<b>249,968</b>	<b>30,590,616</b>	<b>2,241,513</b>	<b>255,929,584</b>

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

**B. Application of Funds**

Application of funds	Amount received to date – (30 <sup>th</sup> June 2024)		Cumulative amount paid to date – (30 <sup>th</sup> June 2024)		Unutilised balance to date (30 <sup>th</sup> June 2024)	
	<i>Donor currency</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>
	<i>(A)</i>	<i>(A')</i>	<i>(B)</i>	<i>(B')</i>	<i>(A)-(B)</i>	<i>(A')-(B')</i>
<b>(i) Grant</b>						
Adaptation Fund	249,968	30,590,616	247,498	30,228,304	2,961	362,312
<b>Total</b>	<b>249,968</b>	<b>30,590,616</b>	<b>247,498</b>	<b>30,228,304</b>	<b>2,961</b>	<b>362,312</b>
<b>(i) Counterpart funds</b>						
Government of Kenya	-	-	-	-	-	-
<b>Total</b>	<b>249,968</b>	<b>30,590,616</b>	<b>247,498</b>	<b>30,228,304</b>	<b>2,961</b>	<b>362,312</b>

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

**2.8 Summary of Overall Project Performance:**

**(i) Budget performance against actual amounts for current year and for cumulative to-date,**

Budgeted Amounts for current year	Actual amounts for current year	Cumulative to date
50,000,000	27,485,604	30,288,304

**(ii) Summary of physical progress based on outcomes, outputs and impacts since project commencement**

- Hiring of project assistant that is already done
- Status of Early warning at the two counties that is done
- Procurement of Two automatic weather stations procured and installation completed
- Development of the EW sharing framework that is done
- Assessment on surface water utilization/potential/availability and develop water Management Plans in process
- Assessment on ground water utilization/potential/availability and develop groundwater Management Plans in process
- Development of drought Management plans in process
- Development of emergency response plan for Drought disasters at the regional and national levels in process
- Procurement of project vehicle that is done
- Second NPSC meeting held on 27th October 2023
- Project supported public participation process for Kitui county government zero climate change Bill

**(iii) Indicate the absorption rate for each year since the commencement of the project.**

**Absorption rate**

2021/2022	2022/2023	2023/2024
3%	47%	55%

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**(iv) Implementation challenges and recommended next steps.**

**Challenges**

- COVID 19- It delayed the implementation by 2 years
- Delay in opening of project account in 2021
- Delay on response for No Objection from Sahara Sahel Observatory {OSS}. For each activity to be implemented it is a requirement for National Project Management Unit (NPMU) to develop a concept note and No Objection to be approved by OSS despite approved work and procurement plans, this has been a major challenge noting OSS delays in approving.
- Small tranche of disbursement of funds (USD 300,000) from OSS with a requirement to utilize 70% of funds before requesting another. (Noting consultancies are required to finalize work to be paid, this has been major challenge where money is committed but not paid)
- Lengthy procurement processes especially for the consultancies
- Too much paper work and back and forth on No Objections with no standard format to guide
- Lack of capacity to develop the concept notes as we have just one dedicated staff for the project.
- Harmonization between project reporting cycle and government cycle

**Recommended next steps.**

To fast track the implementation of the activity's NPMU intends to;

- Convene regular planning meeting with the project focal points of the two counties to map, plan and prioritize activities.
- Plan to combine activities that can be implemented concurrently
- Capacity Build the focal points so that they can assist in concept note development
- Regularly have planning meeting with the focal points and other stakeholders to agree on activities
- Liaise with OSS and other countries to get information on concepts notes and TORs to lessen time for their development and approval
- Develop and request as many No as possible to ensure seamless flow of activities
- Commit the funds with activities even when the liquidity is not available as activity approval are pegged to financial year budget and not on liquidity.

**(v) Comment on value-for-money achievements,**

The project uses government procedures to incur expenses and due diligence is done before a contract is issued. The goods and services are acquired through competition to obtain better

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quality of goods or services in more suitable quantities, just in time when needed, from better suppliers at prices that continue to improve

**2.9 Summary of Project Compliance:**

There were no cases of non-compliance with the applicable laws and regulations during the financial year.

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**3. 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 2021-2024* are to:

1. Developing and promoting regional investments in drought early warning systems and improving the existing ones
2. Strengthening and improving the capacity of key stakeholders in drought risk management at regional, national and local levels
3. Facilitating smallholder farmers and pastoralists inputs to undertake innovative adaptation actions that reinforce their resilience to drought
4. Enhancing knowledge management and information sharing on drought resilience at the considered levels.

**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-bund (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement.

Below we provide the progress on attaining the stated objectives:

<b>Project</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Strengthening Drought Resilience for Small Holder Farmers and Pastoralists in the IGAD Region	The overall objective of the project is to increase the resilience of smallholder farmers and pastoralists to climate change	Improve the gross income through promoting the growth of drought-resistant crops and	Number of communities supported by the project  Number of approved projects and fund	<ul style="list-style-type: none"> <li>• The project Donors had given a NO for the recruitment of the project Assistant. Through a competitive process, Ministry of Environment Climate Change and Forestry had hired project assistant to help in day to</li> </ul>

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	<p>risks mainly those related to drought, through the establishment of appropriate early warning systems and implementation of drought adaptation actions in the IGAD region.</p>	<p>drought tolerant breeds of livestock, soil and water conservation measures and climate-smart agriculture.</p> <ul style="list-style-type: none"> <li>▪ Develop specific activities on value chain associated to adaptation needs.</li> <li>▪ Reduce expenditure through bringing together the economic sectors and stakeholders.</li> <li>▪ Develop new careers.</li> </ul>	<p>disbursed to communities.</p> <p>Documents developed and reports from the project.</p>	<p>day running of project activities</p> <ul style="list-style-type: none"> <li>• Ministry of Environment Climate Change and Forestry through National Project Management Unit (NPMU), had carried out assessment on the Status of Early warning in both Kitui and Samburu counties with the ultimate goal of forming a basis for establishing relevant Early Warning threats and appropriate means of dissemination to stakeholders on time.</li> <li>• NPMU through the Ministry of Environment climate Change and Forestry had procured two automatic weather stations for both Kitui and Samburu Counties, Installation of the automatic weather station had been done, one in Wamba Catholic Diocese Samburu county and one in Wakithuki Primary School Kitui County</li> <li>• NPMU in conjunction with key stakeholders from Samburu and Kitui counties had successfully developed the EW sharing framework, this is to ensure efficient, timely</li> </ul>
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				<p>sharing of EW information within the two counties for farmers and Pastoralists</p> <ul style="list-style-type: none"> <li>• Ministry of Environment climate Change and Forestry had procured consultancies on assessment on surface and ground water utilization/potential/availability and for development of water Management Plans in process in both Kitui and Samburu counties. The assessments are meant to set a basis in execution of other project activities related to drought adaptation interventions</li> <li>• Ministry of Environment climate Change and Forestry had procured consultancies for development of drought Management plans and emergency response plans for Drought disasters at the regional and national levels. The assessments are meant to set a basis for capacity building of the relevant stakeholders on drought management interventions</li> <li>• The project through the Ministry of Environment climate Change and Forestry had procured a</li> </ul>
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				<p>project vehicle this is meant for efficient operations of project activities</p> <ul style="list-style-type: none"><li>• NPMU had developed a work plan and procurement plan for the third financial year and it had been approved by OSS</li><li>• As the project’s mandate, NPMU had organized the Second National Project Steering Committee (NPSC) meeting which was successfully conducted on 27th October 2023</li><li>• The Project had successfully supported Kitui county government for public participation process for Kitui county government zero climate change Bill</li></ul>
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#### **4. Environmental and Sustainability reporting**

Strengthening Drought Resilience for Small Holder Farmers and Pastoralists. Project exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on the adaptation pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

##### **I. Sustainability strategy and profile -**

The implementation of Strengthening Drought Resilience for Small Holder Farmers and Pastoralists contributes to building the community resilience and adaptive capacity bearing in mind the impact of climate change in Kenya ASAL regions.

The project will be implemented in close collaboration with the county governments of Kitui and Samburu, the project will be implementing in the respective county's county integrated development plan (CIDP's). The project will also be based at the respective county climate change units that are created by the Climate Change Act 2016 under the County Ministry's responsible for Climate Change. This will ensure that the project activities will be continue beyond the lifespan of the project.

##### **II. Environmental performance**

A better understanding of the interaction between climate, environment and human factors which impact the sustainable use of natural resources. The outcome will contribute in lowering the excess demand for natural resources through fair and equitable sharing of natural resources. Among other benefits to environment are efficient use of water, reduce the pressure on the ecosystems and preserve biodiversity, improved land management/conservation infrastructure, leading to reduced soil loss and increased quantity of agricultural produce, improving water resources for human and livestock populations and improve the efficiency of projects. These actions will enhance ability of the communities to better cope with impacts of droughts which are increasing becoming more frequent and intense in the ASAL areas of Kenya. This will eventually build resilience of the local communities to better cope with impacts of climate change.

##### **Employee welfare**

The project staff management will be based on the public services human resource manual and other respective laws and procedures.

### **1. Market place practices**

The project in the procurement of goods and services will be done in compliance with Public Procurement and Asset Disposal Act 2015. This ensures that proper guidelines and processes are followed to enable smooth operations of the project, competitiveness and value for money is achieved. In addition, Vulnerable groups of Youth, Women and Disables will be incorporated in the quotations and tendering processes of the project.

### **2. Community Engagements-**

This project targets to work directly with the pastoralists and smallholder communities in Samburu and Kitui counties. The project design is such that it uses participatory community development approaches that ensures that the target communities are at the core of decision making as it regards to project activities implementation. The project has already engaged the communities through the respective county government where the project sites have been selected. It also conducted a public consultation across the communities and county governments.

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**5. Statement of Project Management responsibilities**

The *Principal Secretary* for the State Department of Environment and Climate Change and the *Project Coordinator* for Strengthening Drought Resilience for smallholder farmers and pastoralists in the IGAD Region **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 ended on June 30, 2024.

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

The *Principal Secretary* for the State Department of Environment and Climate Change and the *Project Coordinator* for Strengthening Drought Resilience for smallholder farmers and pastoralists in the IGAD Region **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 *Principal Secretary* for the State Department of Environment and Climate Change and the *Project Coordinator* for Strengthening Drought Resilience for smallholder farmers and pastoralists in the IGAD Region **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 ended June 30, 2024, and of the Project's financial position as at that date. The *Principal Secretary* for State Department of Environment and Forestry and the *Project Coordinator* for Strengthening Drought Resilience for smallholder farmers and pastoralists in the IGAD Region **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 *Principal Secretary* for the State Department of Environment and Climate Change and the *Project Coordinator* for Strengthening Drought Resilience for smallholder farmers and pastoralists in the IGAD Region **project** confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project

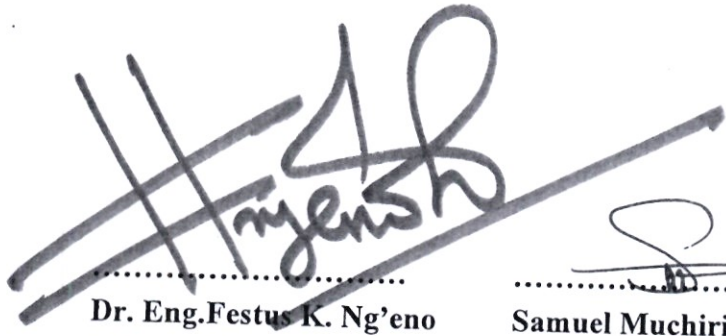
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funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

**Approval of the Project Financial Statements**

The Project financial statements were approved by the *Principal Secretary* for the State Department of Environment and Climate Change and the *Project Coordinator* for Strengthening Drought Resilience for smallholder farmers and pastoralists in the IGAD Region *project* on 27/09/2024 2024 and signed by:



.....  
**Dr. Eng. Festus K. Ng'eno**  
**Principal Secretary**

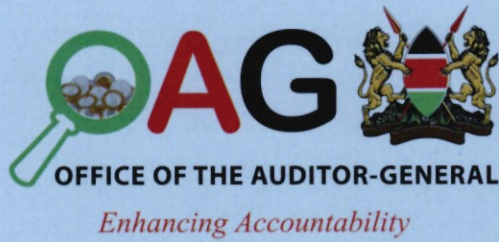


.....  
**Samuel Muchiri**  
**Project Coordinator**



.....  
**Anne Nderitu**  
**Project Accountant**  
**ICPAK Member No:20372**

# REPUBLIC OF KENYA



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HEADQUARTERS  
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## REPORT OF THE AUDITOR-GENERAL ON STRENGTHENING DROUGHT RESILIENCE FOR SMALL HOLDER FARMERS AND PASTORALISTS IN THE IGAD REGION PROJECT NO.03/DRESS-EA/07/OSS-KE/20 FOR THE YEAR ENDED 30 JUNE, 2024 – STATE DEPARTMENT FOR ENVIRONMENT AND CLIMATE CHANGE

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### 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 the 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 is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Unmodified Opinion indicates the books of accounts and underlying records agree with the financial statements and that no materials misstatements were found. The financial statements present fairly, in all material respects the operations of the entity. An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, is effective in the use of resources, or that its internal control, risk management and governance systems are properly designed and working effectively in the financial year under review.

The Unmodified Opinion on the Report on the Financial Statements should be read together with the Report on the Lawfulness and Effectiveness in the Use of Public

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*Report of the Auditor-General on Strengthening Drought Resilience for Small Holder Farmers and Pastoralists in the IGAD Region Project Grant No.03/Dress-EA/07/OSS-KE/20 for the year ended 30 June, 2024 – State Department for Environment and Climate Change*

Resources, and the Report on the Effectiveness of Internal Controls, Risk Management and Governance.

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 Strengthening Drought Resilience for Small Holder Farmers and Pastoralists in the IGAD Region set out on pages 1 to 39, which comprise of the statement of financial assets as at 30 June, 2024 and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and 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 Strengthening Drought Resilience for Small Holder Farmers and Pastoralists in the IGAD Region Project as at 30 June, 2024 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 Bilateral Financing Agreement between the Sahara and Sahel Observatory-OSS and the Government of the Republic of Kenya dated 21 January, 2021 and the Public Finance Management Act, 2012.

### Basis for Opinion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Strengthening Drought Resilience for Small Holder Farmers and Pastoralists in the IGAD Region Project 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 for the year ended 30 June, 2024 reflects final receipts budget and actual on comparable basis of Kshs.50,000,000 and Nil respectively resulting in under-funding of Kshs.50,000,000. However, the project spent an amount of Kshs.27,485,604 against Nil actual receipts.

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*Report of the Auditor-General on Strengthening Drought Resilience for Small Holder Farmers and Pastoralists in the IGAD Region Project Grant No. 03/Dress-EA/07/OSS-KE/20 for the year ended 30 June, 2024 – State Department for Environment and Climate Change*

The under-underfunding affected the planned project activities and may have impacted negatively on service delivery.

My opinion is not modified 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 Matter**

#### **Prior Year Audit Matters**

In the audit report of the previous year, several issues were raised under Other Matters and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues as at 30 June, 2024.

### **Other Information**

#### **Conclusion**

Management is responsible for the other information set out on page v to xxiii which comprise of Project Information and Overall Performance, Statement of Performance against Project's Predetermined Objectives, Environmental and Sustainability Reporting and Statement of Project Management Responsibilities. The other information does not include the financial statements and my audit report thereon.

### **Basis for Conclusion**

In connection with my audit on Strengthening Drought Resilience for Small Holder Farmers and Pastoralists in the IGAD Region Project 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 conclusion thereon.

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

### **Conclusion**

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

Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

## **Basis for Conclusion**

### **1. Low Absorption of Donor Funds**

Paragraph 2.7 at page x of the financial statements on the funding summary budget reflects an amount of US\$2,491,480 equivalent to Kshs.286,520,200 as approved by the Adaptation Fund. However, the statement of receipts and payments reflects cumulative to date receipts amount of Kshs.30, 590,616 or 11% of the budget with Kshs.255,929,584 (US\$2,241,513) or 89% being undrawn balances. The undrawn balances reflect low absorption rate of 11% against 75% lapsed project period four (4) years out of the total project period of six (6) years. Management may not utilize all the Project funds by the date of closure of April, 2026.

In the circumstances, the fulfilment of the objectives for which the Project was set up and value for money on the funds spent so far could not be confirmed.

### **2. Failure to Maintain an Assets Register**

During the year under review, Management did not maintain an assets register to record and track the Project's assets as required by Regulation 143(1) of the Public Finance Management (National Government) Regulations, 2015 that requires accounting officer to maintain an asset register for assets under his or her control or possession as prescribed by relevant laws. The effectiveness of asset management could not be confirmed.

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

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

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

As required the Financing Agreement between the Government of Kenya and the Sahara and Sahel Observatory-OSS, I report based on my audit that:

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal 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 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 the intention to terminate the Project or cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements 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 Project's financial reporting process, reviewing the effectiveness of how Management monitors compliance

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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 INTOSAI Framework of Professional Pronouncements (IFPP). The Framework requires 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 IFPP 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**

**19 November, 2024**

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**7. Statement of Receipts and Payments for the year ended 30th June 2024**


	Note	Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payment controlled by the entity	Payments made by third parties	Total	Cumulative to-date (From inception)
		<i>FY 2023/2024</i>			<i>FY 2022/2023</i>			
		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
<b>Receipts</b>								
Transfer from Government entities	1							
Proceeds from domestic and foreign grants	2	-	-	-	28,283,703	-	28,283,703	30,590,616
Loan from external development partners	3	-	-	-	-	-	-	-
Miscellaneous receipts	4	-	-	-	-	-	-	-
<b>Total receipts</b>		-	-	-	<b>28,283,702</b>	-	<b>28,283,703</b>	<b>30,590,616</b>
<b>Payments</b>								
Compensation to employees	5	660,000		660,000	60,000	-	60,000	720,000.00
Purchase of goods and services	6	14,207,704		14,207,704	1,978,300	-	1,978,300	16,890,404
Social security benefits	7				-	-	-	-
Acquisition of non-financial assets	8	12,617,900	-	12,617,900	-	-	-	12,617,900
Transfers to other government entities	9	-	-	-	-	-	-	-


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	Note	Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payment controlled by the entity	Payments made by third parties	Total	Cumulative to-date (From inception)
Other grants and transfers /payments	10	-	-	-	-	-	-	-
<b>Total payments</b>		<b>27,485,604</b>	<b>-</b>	<b>27,485,604</b>	<b>2,038,300</b>	<b>-</b>	<b>2,038,300</b>	<b>30,228,304</b>
<b>Surplus/ (deficit)</b>		<b>(27,485,604)</b>	<b>-</b>	<b>(27,485,604)</b>	<b>26,245,403</b>	<b>-</b>	<b>26,245,403</b>	<b>362,312</b>

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

  
.....  
Dr. Eng. Festus K. Ng'eno  
Principal Secretary

  
.....  
Samuel Muchiri  
Project Coordinator

  
.....  
Anne Nderitu  
Project Accountant  
ICPAK Member No:20372

*Strengthening Drought Resilience for Small Holder Farmers and Pastoralists in the IGAD Region*

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**8. Statement of Financial Assets as at 30<sup>th</sup> June 2024**

Description	Note	FY 2023/2024	FY 2022/2023
		Kshs	Kshs
<b>Financial Assets</b>			
<b>Cash and Cash equivalents</b>			
Bank Balances	11.A	362,312	27,847,916
Cash Balances	11. B		-
Cash equivalents (Short-term deposits)	11.C		-
<b>Total Cash and Cash equivalents</b>		<b>362,312</b>	<b>27,847,916</b>
Imprests and Advances	12		-
<b>Total Financial Assets</b>		<b>362,312</b>	<b>27,847,916</b>
<b>Financial Liabilities</b>			
Third party Deposits and Retention	13	-	-
<b>Net Assets</b>		<b>362,312</b>	<b>27,847,916</b>
<b>Represented By</b>			
Fund Balance B/fwd.	14	27,847,916	1,577,313
Prior Year adjustments	15	-	25,200
Surplus/(Deficit) for the Year		27,485,604	26,245,403
<b>Net Financial Position</b>		<b>362,312</b>	<b>27,847,916</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 27/09/2024 and signed by:

.....  
  
**Dr. Eng. Festus K. Ng'eno**  
**Principal Secretary**

.....  
  
**Samuel Muchiri**  
**Project Coordinator**

.....  
  
**Anne Nderitu**  
**Project Accountant**  
**ICPAK Member No:20372**

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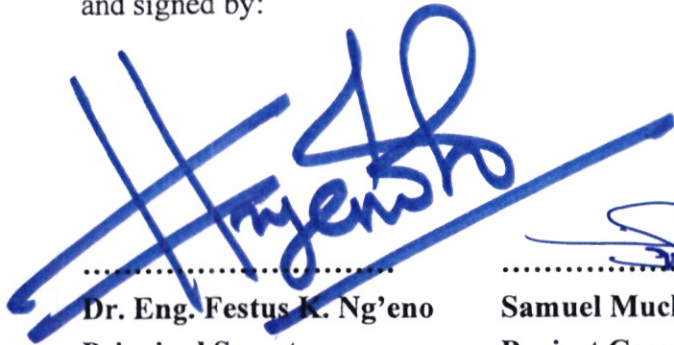
**9. Statement of Cashflow for the year ended 30<sup>th</sup> June 2024**

Description	Notes	FY 2023/2024	FY 2022/2023
		Kshs	Kshs
<b>Cashflow from operating activities</b>			
<b>Receipts</b>			
Transfer from government entities	1	-	-
Proceeds from domestic and foreign grants	2	-	28,283,703
Miscellaneous receipts	4	-	
<b>Total receipts</b>		-	<b>28,283,703</b>
<b>Payments</b>			
Compensation of employees	5	660,000	60,000
Purchase of goods and services	6	26,825,604	1,978,300
Social security benefits	7		-
Transfers to other government entities	9		-
Other grants and transfers	10		-
<b>Total Payments</b>		<b>27,485,604</b>	<b>2,038,300</b>
<b>Net receipts/(payments)</b>		<b>(27,485,604)</b>	<b>26,245,403</b>
<b>Adjustments during the year</b>			
Prior year adjustments	15	-	25,200
Decrease/(increase) in accounts receivable	16	-	-
Increase/(decrease) in accounts payable:	17	-	-
<b>Net cash flow from operating activities</b>		<b>(27,485,604)</b>	<b>26,270,603</b>
<b>Cashflow from investing activities</b>			
Acquisition of non-financial assets	8	-	-
<b>Net cash flows from investing activities</b>			-

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Description	Notes	FY 2023/2024	FY 2022/2023
		Kshs	Kshs
<b>Cash flow from financing activities</b>		-	-
Proceeds from foreign borrowings	3	-	-
Net cash flow from financing activities		-	-
Net increase in cash and cash equivalents		(27,485,604)	26,270,602
<b>Cash and cash equivalent at beginning of the year</b>	11	27,847,916	1,577,313
<b>Cash and cash equivalent at end of the year</b>	11	362,312	27,847,916


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 29/09 2024 and signed by:



.....  
**Dr. Eng. Festus K. Ng'eno**  
**Principal Secretary**



.....  
**Samuel Muchiri**  
**Project Coordinator**



.....  
**Anne Nderitu**  
**Project Accountant**  
**ICPAK Member No:20372**


*Strengthening Drought Resilience for Small Holder Farmers and Pastoralists in the IGAD Region  
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**10. Statement of Comparison of Budget and Actual amounts for year ended 30<sup>th</sup> June 2024.**

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	<b>a</b>	<b>b</b>	<b>c=a+b</b>	<b>d</b>	<b>e=c-d</b>	<b>f=d/c %</b>
<b>Receipts</b>						
Transfer from Government entities	132,200,000	(82,200,000)	50,000,000	0	50,000,000	0%
Proceeds from domestic and foreign grants	-					
Proceeds from borrowings	-					
Miscellaneous receipts	-					
<b>Total Receipts</b>	<b>132,200,000</b>	<b>(82,200,000)</b>	<b>50,000,000</b>	<b>0</b>	<b>50,000,000</b>	<b>0%</b>
<b>Payments</b>						
Compensation to employees	720,000	-	720,000	660,000	60,000	92%
Purchase of goods and services	131,480,000	(82,200,000)	49,280,000	26,825,604	22,454,396	54%
Social security benefits						
Acquisition of non-financial assets						
Transfers to other government entities						
Other grants and transfers						
<b>Total Payments</b>	<b>132,200,000</b>	<b>-</b>	<b>50,000,000</b>	<b>27,485,604</b>	<b>22,514,396</b>	<b>55%</b>
<b>Surplus or Deficit</b>	<b>-</b>		<b>-</b>	<b>(27,485,604)</b>	<b>27,485,604</b>	

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

  
.....  
Dr. Eng. Festus K. Ng'eno  
Principal Secretary

  
.....  
Samuel Muchiri  
Project Coordinator

  
.....  
Anne Nderitu  
Project Accountant  
ICPAK Member No:20372

## **11. Significant Accounting Policies**

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

### **a) Statement of compliance and basis of preparation**

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

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

### **b) Reporting entity**

The financial statements are for DRESSEA Project under the State Department of Environment and Climate Change. The financial statements are for the reporting entity DRESSEA Project as required by Section 81 of the PFM Act, 2012 .

### **c) Reporting currency**

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

### **d) Recognition of receipts**

Strengthening Drought Resilience for Smallholder Farmers and Pastoralists in the IGAD Region Project recognises all receipts from the various sources when the event occurs, and the related cash has been received.

#### **i) Transfers from the Exchequer**

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

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

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

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***Annual Report and Financial Statements for the financial year ended June 30, 2024***

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**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.

**e) Recognition of payments**

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

**i) Compensation to employees**

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

**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.

**f) In-kind donations**

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

**g) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of

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***Annual Report and Financial Statements for the financial year ended June 30, 2024***

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**Significant Accounting Policies (continued)**

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.

**h) Restriction on cash**

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

**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.

**i) Contingent Liabilities**

A contingent liability is:

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

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships, The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. **Annex 6** of this financial statement is a register of the contingent liabilities in the year.

**Significant Accounting Policies (Continued)**

**j) Contingent Assets**

Dressea 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 Dressea 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.

**k) 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.

**l) 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 recognized as inter-entity transfers and are eliminated upon consolidation. A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been *included in an annex to these financial statements*.

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**Significant Accounting Policies (Continued)**

**m) 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.

**n) Exchange rate differences**

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

**o) 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.

**p) Subsequent events**

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2024.

**q) 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 15 of these financial statements.

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**12. Notes to the Financial Statements.**

**1. Transfers from Government entities**

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

Description	FY 2023/2024	FY 2022/2023	Cumulative to-date (from inception)
	Kshs	Kshs	Kshs
<i>Counterpart funding through State Department of Environment and Climate Change</i>			
Counterpart funds Quarter 1	-	-	-
Counterpart funds Quarter 2	-	-	-
Counterpart funds Quarter 3	-	-	-
Counterpart funds Quarter 4	-	-	-
<b>Total (See Annex 3)</b>	-	-	-
<i>Other transfers from government entities</i>			
Ministry	-	-	-
Ministry	-	-	-
Project	-	-	-
Agency	-	-	-
Total	-	-	-
Appropriations-in-Aid	-	-	-
<b>Total</b>	-	-	-

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

**2. Proceeds From Domestic and Foreign Grants**

During the financial period to 30 June 2024, we received grants from donors as detailed in the table below:

	FY 2023/2024						FY 2022/2023	Cumulative to date
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	Total Amount	
			Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Grants Received from Bilateral Donors (Foreign Governments)								
Adaptation Fund		-	-	-	-	-	28,283,703	30,590,616
Grants Received from Multilateral Donors (International Organizations)	-	-	-	-	-	-	-	-
Insert name of international organization	-	-	-	-	-	-	-	-
Grants Received from Local Individuals and organizations	-	-	-	-	-	-	-	-
Insert name of individual or local organization	-	-	-	-	-	-	-	-
<b>Total</b>				-	-		<b>28,283,703</b>	<b>30,590,616</b>

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

**3. Loan from External Development Partners**

During the financial period to 30 June 2023, we received funding from development partners in form of loans negotiated by the National Treasury as detailed in the table below:

Description  Name of Donor	FY 2023/2024					FY 2022/2023	Cumulative to date
	Date received	Amount in loan currency	Loans received in actual amount	Loans received as direct payment*	Total amount in Kshs	Total amount in Kshs	
		(Insert currency)	Kshs	Kshs	Kshs	Kshs	Kshs
Loans received from bilateral Donors (Foreign Governments)	-	-	-	-	-	-	-
Insert name of foreign Government	-	-	-	-	-	-	-
Insert name of foreign Government	-	-	-	-	-	-	-
Loans received from Multilateral Donors (International Organizations)	-	-	-	-	-	-	-
Insert name of international organization	-	-	-	-	-	-	-
Insert name of international organization	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-

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

**4. Miscellaneous receipts**

Description	FY 2023/2024			FY 2022/2023	Cumulative to-date (from inception)
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total receipts	Total receipts	
	Kshs	Kshs	Kshs	Kshs	Kshs
Property income	-	-	-	-	-
Sales of goods and services	-	-	-	-	-
Administrative fees and charges	-	-	-	-	-
Fines, penalties, and forfeitures	-	-	-	-	-
Voluntary transfers other than grants	-	-	-	-	-
Refund of unspent imprest	-	-	--	-	-
<b>Total</b>	-	-		-	-

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

**5. Compensation to Employees**

Description	FY 2023/2024			FY 2022/2023	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total payments	Total payments	
-	Kshs	Kshs	Kshs	Kshs	Kshs
Basic salaries of permanent employees	660,000		660,000	60,000	720,000
Basic wages of temporary employees	-	-	-	-	-
Personal allowances paid as part of salary	-	-	-	-	-
Personal allowances paid as reimbursements	-	-	-	-	-
Personal allowances provided in kind	-	-	-	-	-
Pension and other social security contributions	-	-	-	-	-
Compulsory national social security schemes	-	-	-	-	-
Compulsory national health insurance schemes	-	-	-	-	-
Social benefit schemes outside government	-	-	-	-	-
Other personnel payments	-	-	-	-	-
<b>Total</b>	<b>660,000</b>	<b>-</b>	<b>660,000</b>	<b>60,000</b>	<b>720,000</b>

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

**6. Purchase of Goods and Services**

Description	FY 2023/2024			FY 2022/2023	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	
Utilities, supplies and services	-	-	-	-	-
Communication, supplies and services	-	-	-	-	-
Domestic travel and subsistence	8,177,100		8,177,100	1,228,800	10,110,300
Foreign travel and subsistence	-	-	-	-	-
Printing, advertising, and information supplies	259,769	-	259,769	-	259,769
Rentals of produced assets	-	-	-	-	-
Consultancy payments	5,259,835	-	5,259,835	-	5,259,835
Hospitality supplies and services	511,000	-	511,000	122,500	633,500
Insurance costs	-	-	-	-	-
Specialized materials and services		-		494,000	494,000
Other operating payments	-	-	-	-	-
Routine maintenance – vehicles and other transport equipment	-	-	-	133,000	133,000
Routine maintenance- other assets	-	-	-	-	-
Exchange rate losses/gains (net)	-	-	-	-	-
<b>Total</b>	<b>14,207,704</b>		<b>14,207,704</b>	<b>1,978,300</b>	<b>16,890,404</b>



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

**7. Social Security Benefits**

Description	FY 2023/2024			FY 2022/2023	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Government pension and retirement benefits	-	-	-	-	-
Social security benefits in cash and in kind	-	-	-	-	-
Employer social benefits in cash and in kind	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

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

**8. Acquisition of Non-Financial Assets**

Description	FY 2023/2024			FY 2022/2023	Cumulative to-date  Kshs
	Payments made in Cash	Paym ents made by third partie s	Total payments	Total payments	
	Kshs.	Kshs.	Kshs	Kshs	
Purchase of buildings	-	-	-	-	-
Construction of buildings	-	-	-	-	-
Refurbishment of buildings	-	-	-	-	-
Construction of roads	-	-	-	-	-
Construction of civil works	-	-	-	-	-
Overhaul & refurbishment of construction and civil works	-	-	-	-	-
Purchase of vehicles & other transport equipment	5,772,000		5,772,000.00		5,772,000
Overhaul of vehicles & other transport equipment	-	-	-	-	-
Purchase of household furniture & institutional equipment	-	-	-	-	-
Purchase of office furniture & general equipment	1,145,900		1,145,900		1,145,900
Purchase of specialised plant, equipment and machinery	5,700,000		5,700,000		5,700,000

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Description	FY 2023/2024			FY 2022/2023	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
Rehabilitation & renovation of plant, equipment & machinery	-	-	-	-	-
Purchase of certified seeds, breeding stock and live animals	-	-	-	-	-
Research, studies, project preparation, design & supervision	-	-	-	-	-
Rehabilitation of civil works	-	-	-	-	-
Acquisition of strategic stocks	-	-	-	-	-
Acquisition of land	-	-	-	-	-
Acquisition of other intangible assets	-	-	-	-	-
<b>Total</b>	<b>12,617,900</b>		<b>12,617,900</b>		<b>12,617,900</b>

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

**9. Transfers to other Government Entities**

During the financial period to 30 June 2024, we transferred funds to reporting government entities as shown below:

Description	FY 2023/2024			FY 2022/2023	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Transfers to National Government entities	-	-	-	-	-
Ministry ABC	-		-	-	-
Project XYZ	-		-	-	-
Transfers to County Governments			-	-	-
County ABC	-		-	-	-
County XYZ	-		-	-	-
<b>Total</b>	<b>=</b>		<b>=</b>	<b>=</b>	<b>=</b>

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

**10. Other Grants, Transfers and Payments**

Description	FY 2023/2024			FY 2022/2023	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	
Grants for scholarships	-	-	-	-	-
Transfers to lower levels of government e.g. schools	-	-	-	-	-
Miscellaneous payments	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

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

**11. Cash And Cash equivalents**

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Bank accounts (Note 11A)	362,312	27,847,916
Cash in hand (Note 11B)	-	-
Cash equivalents (short-term deposits) (Note 11C)	-	-
<b>Total</b>	<b>362,312</b>	<b>27,847,916</b>

DRESS EA has one number of project accounts spread within the project implementation area and one number of foreign currency designated accounts managed by the National Treasury as listed below:

**11. A Bank Accounts**

**Project Bank Accounts**

Details	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
<u>Foreign Currency Accounts</u>	-	-
Central Bank of Kenya [A/c No.....]	-	-
Kenya Commercial Bank [A/c No.....]	-	-
Co-operative Bank of Kenya [A/c No.....]	-	-
Others ( <i>specify</i> )	-	-
Total Foreign Currency balances	-	-
<u>Local Currency Accounts</u>	-	-
Central Bank of Kenya [A/c No 1000737662]	362,312	27,847,916
Kenya Commercial Bank [A/c No.....]	-	-
Co-operative Bank of Kenya [A/c No.....]	-	-
Others ( <i>specify</i> )	-	-
Total local currency balances	<b>362,312</b>	<b>27,847,916</b>
Total bank account balances	<b>362,312</b>	<b>27,847,916</b>

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

**Special Deposit Accounts**

The balances in the Project's Special Deposit Account(s) as at 30<sup>th</sup> June 2024 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule which shows the flow of funds that were voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

**Special Deposit Accounts Movement Schedule**

<b>Description</b>	<b>FY 2023/2024</b>	<b>FY 2022/2023</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>(i) A/c Name [A/c No.....]</b>	-	-
Opening balance	-	-
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	-	-
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	-	-
<b>(ii) A/c Name [A/c No.....]</b>	-	-
Opening balance (as per the SDA reconciliation)	-	-
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	-	-
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	-	-

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

**11 B Cash in hand**

Description	FY 2023/2024	FY 2022/2023
	KShs	KShs
Location 1	-	-
Location 2	-	-
Location 3	-	-
Other locations ( <i>specify</i> )	-	-
<b>Total cash in hand balances</b>	<b>=</b>	<b>=</b>

**11 C Cash equivalents (short-term deposits)**

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Kenya Commercial Bank [A/C No.....]	-	-
Co-Operative Bank of Kenya [A/C No.....]	-	-
Others ( <i>Specify</i> )	-	-
<b>Total</b>	<b>=</b>	<b>=</b>

**12. Imprests and Advances**

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Government Imprests	-	-
Salary advances	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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

**12A: Breakdown of Imprests and Advances**

<b>Name of Officer or Institution</b>	<b>Amount Taken</b>	<b>Due Date of Surrender</b>	<b>Amount Surrendered</b>	<b>Balance Current FY 2023/2024</b>	<b>Balance Comparative FY</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<i>Officer 1</i>	-	-	-	-	-
<i>Officer 2</i>	-	-	-	-	-
<i>Officer 3</i>	-	-	-	-	-
<i>Officer 4</i>	-	-	-	-	-
<i>Officer 5</i>	-	-	-	-	-
<i>Programme 1</i>	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**13. Deposits and Retention Monies**

<b>Description</b>	<b>FY 2023/2024</b>		<b>FY 2022/2023</b>	
	<b>Kshs</b>		<b>Kshs</b>	
Retention	-	-	-	-
Deposits	-	-	-	-
<b>Total</b>	-	-	-	-
	-	-	-	-
<b>Ageing analysis:</b>	<b>Current FY</b>	<b>% of the Total</b>	<b>Comparative FY</b>	<b>% of the Total</b>
Under one year	-	-	-	-
1-2 years	-	-	-	-
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
<b>Total</b>	-	-	-	-

*(Provide detailed explanations)*

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**14. Fund Balance Brought Forward**

<b>Description</b>	<b>FY 2023/2024</b>	<b>FY 2022/2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Bank accounts	362,312	27,847,916
Cash in hand		
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
Deposits and retention	-	-
<b>Total</b>	<b>362,312</b>	<b>27,847,916</b>

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

**15. Prior Year adjustment**

	<b>Balance b/f FY 2022/2023 (audited financial statements)</b>	<b>Adjustments</b>	<b>Adjusted balance b/f FY 2023/2024</b>
<b>Description of the error</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Bank account Balances	-	-	-
Cash in hand	-	-	-
Imprests and advances	-	-	-
Deposits and retentions	-	-	-
Others ( <i>specify</i> )	-	-	-
<b>Total</b>	-	-	-

*(Explain whether the prior year relates to errors noted in prior year, changes in estimates or accounting policy.)*

**16. Changes in Imprests and Advances**

<b>Description</b>	<b>FY 2023/2024</b>	<b>FY 2022/2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Opening Receivables as at 1 <sup>st</sup> July 2023	-	-
Closing account receivables as at 30 <sup>th</sup> June 2024	-	-
<b>Change in Imprests and advances</b>	-	-

**17. Changes in Accounts Deposits and Retention**

<b>Description</b>	<b>FY 2023/2024</b>	<b>FY 2022/2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Deposit and Retentions as at 1 <sup>st</sup> July 2023	-	-
Closing accounts payables as at 30 <sup>th</sup> June 2024	-	-
<b>Changes in deposit and retention</b>	-	-

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**Other Important Disclosures**

**1. Pending Accounts Payable (See Annex 4a)**

	Balance b/f from Comparative FY 2022/2023	Additions for the year	Paid during the year	Balance c/f For Current FY 2023/2024
Description	Kshs	Kshs	Kshs	Kshs
Construction of buildings	-	-	-	-
Construction of civil works	-	-	-	-
Procurement of Vehicle	5,772,000	-	5,772,000	-
Supply of goods	1,145,900	-	1,145,900	-
Supply of services	-	-	-	-
<b>Total</b>	<b>6,917,900</b>	<b>-</b>	<b>6,917,900</b>	<b>-</b>

**2. Pending Staff Payables (See Annex 4b)**

	Balance b/f from Comparative FY 2022/2023	Additions for the year	Paid during the year	Balance c/f for Current FY 2023/2024
Description	Kshs	Kshs	Kshs	Kshs
Senior management	-	-	-	-
Middle management	-	-	-	60,000
Union employees	-	-	-	-
Others	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60,000</b>

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**3. Other Pending Payables (See Annex 4c)**

	<b>Balance b/f from Comparative FY 2022/2023</b>	<b>Additions for the year</b>	<b>Paid during the year</b>	<b>Balance c/f for Current FY 2023/2024</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Amounts due to National Government entities	-	-	-	-
Amounts due to County Government entities	-	-	-	-
Amounts due to third parties	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Other Important Disclosures (Continued)**

**4. External Assistance**

	<b>FY 2023/2024</b>	<b>FY 2022/2023</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
External assistance received as grants	-	28,283,703
External assistance received as loans	-	-
External assistance received in kind- as payment by third parties	-	-
<b>Total</b>	<b>-</b>	<b>28,283,703</b>

**a). External assistance relating loans and grants**

	<b>FY 2023/2024</b>	<b>FY 2022/2023</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
External assistance received as loans	-	-
External assistance received as grants	-	28,283,703
<b>Total</b>	<b>-</b>	<b>28,283,703</b>

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***b) Undrawn external assistance***

	<b>Purpose for which the undrawn external assistance may be used</b>	<b>FY 2023/2024</b>	<b>FY 2022/2023</b>
<b>Description</b>		<b>Kshs</b>	<b>Kshs</b>
Undrawn external assistance - loans	-	-	-
Undrawn external assistance - grants	-	255,929,584	255,929,584
<b>Total</b>	-	<b>255,929,584</b>	<b>255,929,584</b>

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**Other Important Disclosures (Continued)**

*c) Classes of providers of external assistance*

	<b>FY 2023/2024</b>	<b>FY 2022/2023</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
Multilateral donors	-	-
Bilateral donors	-	-
International assistance organization	-	-
NGOs	-	-
National Assistance Organization	-	-
<b>Total</b>	-	-

*d. Non-monetary external assistance*

	<b>FY 2023/2024</b>	<b>FY 2022/2023</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
Goods	-	-
Services	-	-
<b>Total</b>	-	-

**Other Important Disclosures (Continued)**

*e Purpose and use of external assistance*

<b>Payments made by third parties</b>	<b>FY 2023/2024</b>	<b>FY 2022/2023</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
Compensation to employees	-	-
Use of goods and services	-	-
Subsidies	-	-
Transfers to other Government entities	-	-
Other grants and transfers	-	-
Social Security benefits	-	-
Acquisition of assets	-	-
Finance Costs including loan interest	-	-
Repayment of principal on domestic and foreign borrowing	-	-
Other payments	-	-
<b>Total</b>	-	-

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***f. External Assistance paid by third parties on behalf of (the Entity) by Source***

	<b>FY 2023/2024</b>	<b>FY 2022/2023</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
National government	-	-
Multilateral donors	-	-
Bilateral donors	-	-
International assistance organization	-	-
NGOs	-	-
National Assistance Organization	-	-
<b>Total</b>	-	-

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**Other Important Disclosures (Continued)**

**5. Payments by Third Party on Behalf of The Project**

*This relates to payments done directly to supplier on behalf of the project such as; national government may fund the operation of health or education program; a donor may pay directly for construction of a given activity*

**5.1 Classification by Source**

	<b>FY 2023/2024</b>	<b>FY 2022/2023</b>
<b>Description</b>	-	-
National government	-	-
Multilateral donors	-	-
Bilateral donors	-	-
International assistance organization	-	-
NGOs	-	-
National Assistance Organization	-	-
<b>Total</b>	-	-

*(Third party payments may be done by other entities that are not providers of external assistance)*

**5.2 Classification of payments made by Third Parties by Nature of expenses**

<b>Payments made by third parties</b>	<b>FY 2023/2024</b>	<b>FY 2022/2023</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
Compensation of employees	-	-
Use of goods and services	-	-
Subsidies	-	-
Transfers to other government units	-	-
Other grants and transfers	-	-
Social security benefits	-	-
Acquisition of assets	-	-
Finance costs, including loan interest	-	-
Other payments	-	-
<b>Total</b>	-	-

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**Other Important Disclosures (Continued)**

**6. Related Party Disclosures**

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS. The comprise of related parties to the Project

- i) Key management personnel including the program director/manager
- ii) The implementing entity/ministry/ department
- iii) Other Ministries and Departments.
- iv) The National Treasury

**Related party transactions:**

	<b>FY 2023/2024</b>	<b>FY 2022/2023</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Compensation to Key Management</b>	-	-
Compensation to the program manager/ director	-	-
Key Management Compensation others (specify)	-	-
<b>Total Compensation to Key Management</b>	-	-
<b>Transfers to related parties</b>		
Transfers to other government entities	-	-
<b>Total Transfers to related parties</b>	-	-
<b>Transfers from related parties</b>		
Transfers from the Ministry/ department	-	-
Payments made on behalf of the project by other govt. entities	-	-
(Insert any other transfers received)	-	-
<b>Total Transfers from related parties</b>	-	-

**7. Contingent Liabilities**

<b>Contingent liabilities</b>	<b>FY 2023/2024</b>	<b>FY 2022/2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Court case xxx against the project	-	-
Bank guarantees in favour of other govt. entities	-	-
Contingent liabilities arising from PPPs/ donor agreements	-	-
<b>Total</b>	-	-

*(Give details- Update ANNEX 8 Contingent liabilities register)*

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**13. Annexes**

**Annex 1: Prior Year Auditor-General's Recommendations**

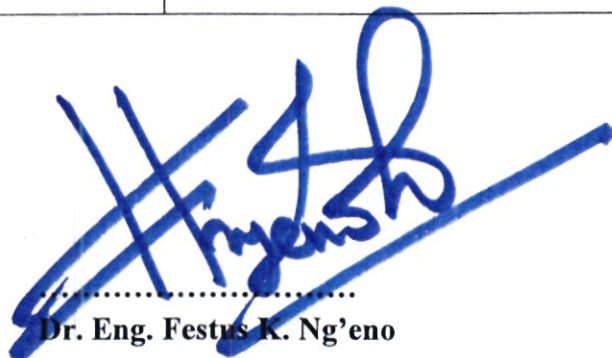
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved )	Timeframe: (Put a date when you expect the issue to be resolved)
1	<p><b>Budgetary Control and performance</b></p> <p>The statement of comparison of budget and actual amounts of Kshs 60,000,000 against actual receipts amounting to Kshs 28,283,703 resulting to a shortfall of Kshs 31,716,297 or 53% of the budget. Similarly, the statement reflects actual expenditure amounting to Kshs 2,038,300 resulting to under expenditure of Kshs 57,961,700 or 97% of the budget.</p> <p>The shortfall in receipts and under expenditure resulted to delay in implementation of the planned projects.</p>	<p>COVID 19- It delayed the implementation by 2 years Government bureaucracy (Procurement was closed from July to late October 2023)</p> <p>Delay on response for No Objection (NO) from OSS (Each activity to be implemented it is a requirement NPMU to develop a concept note and No Objection to be approved by OSS Despite approved work and procurement plans, this has been a major challenge noting OSS delays in approving)</p> <p>This is being addressed by developing and request as many N.O. as possible to ensure seamless flow of activities.</p>	Not resolved	Awaiting to appear before PAC at a later date
2.	<p><b>Low absorption of Donor funds</b></p> <p>Paragraph 2.7 on the funding summary budget reflects an amount of US 2,491,480 equivalent to Kshs 286,520,000 as approved by the Adaptation Fund.</p>	<p>Small tranche of disbursement of funds (USD 300,000) from OSS with a requirement to utilize 70% of funds before requesting another (Noting consultancies are required to finalize work to be paid, this</p>	Not resolved	Awaiting to appear before PAC at a later date

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved )	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>However, as at 30 June 2023 the project received Kshs 30,590,615.55 {US \$ 249,967.55} or 10% of the budget with Kshs 255,929,584.45 {US 2,241,521.50} being undrawn balances. The undrawn balances show low absorption rates of 10% against 75% lapsed project period. The management may not utilize all the project funds by the close date of September 2024.</p>	<p>has been major challenge where money is committed but not paid).</p> <p>This is being addressed by committing the funds with activities even when the liquidity is not available as activity approval are pegged to financial year budget and not on liquidity</p>		
3	<p><b>Slow implementation of the Project Annual Work Plan Activities.</b></p> <p>The national project steering committee in their first meeting held on 27 April 2022 approved the work plan, budget and procurement plan for the first two years of project implementation. It is not clear why the approval of the work plan, budget and procurement plan were done two years after the commencement of the project on October, 2020. Further examination of the annual work plan revealed that only one activity has been implemented as per the approved work plan, three years after inception of the project.</p>	<p>An extension has been sought and has been granted for 18 months. this will ensure all the project activities are achieved.</p>	Not resolved	Awaiting to appear before PAC at a later date

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved )	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>In addition, clause Article 10 to the grant agreement on extension circumstances stipulates the agreement may only be extended in the event of force majeure or objectively explained circumstances. It further explains that the MEF shall submit extension request approved by the Adaptation fund Designated authority to the OSS at least one year before the project closing date., management has not made any request for extension of the project end date.</p> <p>It is therefore doubtful if the project would be completed within the stipulated time frame of September 2024</p>			



.....  
**Dr. Eng. Festus K. Ng'eno**  
**Principal Secretary**



.....  
**Samuel Muchiri**  
**Project Coordinator**

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**Annex 2: Variance explanations - Comparative Budget and Actual amounts for Current FY**

	<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	-	-	-	-	-
Proceeds from domestic and foreign grants	50,000,000	-	50,000,000	0%	Low uptake of project activities Delays in getting a NO objection.
Proceeds from borrowings	-	-	-	-	-
Miscellaneous receipts		-	-		
<b>Total Receipts</b>	<b>50,000,000</b>	<b>-</b>	<b>50,000,000</b>	<b>0%</b>	
<b>Payments</b>					
Compensation of employees	720,000	660,000	60,000	92%	-
Purchase of goods and services	49,280,000	26,825,604	22,454,396	54%	Low uptake of project activities. Delays in getting a NO objection

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	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance (below 90% and over 100%)
Social security benefits	-	-	-	-	-
Acquisition of non-financial assets	-	-	-	-	-
Transfers to other government entities	-	-	-	-	-
Other grants and transfers	-	-	-	-	-
<b>Total payments</b>	<b>50,000,000</b>	<b>27,485,604</b>	<b>22,514,396</b>	<b>55%</b>	Low uptake of project activities

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**Annex 3: Reconciliation of inter-entity transfers**

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

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

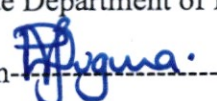
Project Coordinator  
DRESS EA Project

Sign



Head of Accounting Unit  
State Department of Environment and Climate Change

Sign



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**Annex 4a: Analysis of Pending Bills**

Supplier of Goods or Services	Date Contracted/ invoiced.	Original Amount	Amount Paid To-Date	Outstanding Balance Current FY	Outstanding Balance Previous FY	Comments
		<b>a</b>	<b>b</b>	<b>c=a-b</b>		
Construction of buildings	-	-		-	-	
1.	-	-	-	-	-	
2.	-	-	-	-	-	
<b>Sub-Total</b>		-	-	-	-	
Construction of civil works		-	-	-	-	
3.	-	-	-	-	-	
4.	-	-	-	-	-	
<b>Sub-Total</b>		-	-	-	-	
Supply of goods		-	-	-	-	
5.			-	-	-	
6.			-	-	-	
<b>Sub-Total</b>	-		-	-	-	
Supply of services	-				-	
7. Ngamau ltd	-	1,820,000	-	1,820,000	-	
8.	-	-	-	-	-	
<b>Sub-Total</b>	-		-	-	-	
<b>Grand Total</b>	-		-	-	-	

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**Annex 4b: Analysis of Pending: Staff Bills**

Name of Staff	Job Group	Date Payable Contracted	Original Amount	Amount Paid To-Date	Outstanding Balance Current FY 2023/2024	Outstanding Balance Previous FY 2022/2023	Comments
<b>Permanent Employees - Management</b>							
1.	-	-	-	-	-	-	-
2.	-	-	-	-	-	-	-
<b>Sub-Total</b>							
<b>Permanent Employees - Others</b>							
3.	-	-	-	-	-	-	-
4.	-	-	-	-	-	-	-
<b>Sub-Total</b>							
<b>Temporary employees</b>							
5.	-	-	-	-	-	-	-
6.	-	-	-	-	-	-	-
<b>Sub-Total</b>							
<b>Others (specify)</b>							
7.	-	-	-	-	-	-	-
8.	-	-	-	-	-	-	-
<b>Sub-Total</b>							
<b>Grand Total</b>							

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**Annex 4c: Analysis of other Pending Payables**

Name	Brief Description	Date Payable Contracted	Original Amount	Amount Paid To-Date	Outstanding Balance Current FY 2023/2024	Outstanding Balance Previous FY 2022/2	Comments
<b>Amounts due to National Govt Entities</b>							
1.	-	-	-	-	-	-	-
2.	-	-	-	-	-	-	-
<b>Sub-Total</b>	-	-	-	-	-	-	-
<b>Amounts due to County Govt Entities</b>							
3.	-	-	-	-	-	-	-
4.	-	-	-	-	-	-	-
<b>Sub-Total</b>	-	-	-	-	-	-	-
<b>Amounts due to Third Parties</b>							
5.	-	-	-	-	-	-	-
6.	-	-	-	-	-	-	-
<b>Sub-Total</b>	-	-	-	-	-	-	-
<b>Others (specify)</b>							
7.	-	-	-	-	-	-	-
8.	-	-	-	-	-	-	-
<b>Sub-Total</b>	-	-	-	-	-	-	-
<b>Grand Total</b>	-	-	-	-	-	-	-

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**Annex 5: Summary of Fixed Assets Register**

Asset class	Opening Cost (KShs) 2023/24	Donations in form of assets (KShs) 2023/24	*Purchases/ Additions in the Year (KShs) 2023/24	**Disposals in the Year (KShs) 2023/24	Transfers in/(out) Kshs 2023/24	Closing Cost (KShs) 2023/24
	(a)	(b)	(c)	(d)	(d)	(e)= (a)+ (b)+c)- (d)+(-)d
Land	-	-	-	-	-	-
Buildings and structures	-	-	-	-	-	-
Transport equipment	-	-	5,772,000	-	-	5,772,000
Office equipment, furniture and fittings	-	-	1,145,900	-	-	1,145,900
ICT Equipment,	-	-	-	-	-	-
Other Machinery and Equipment	-	-	5,700,000	-	-	5,700,000
Heritage and cultural assets	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-
Infrastructure assets roads, rails	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Work in Progress	-	-	-	-	-	-
<b>Total</b>	-	-	<b>12,617,900</b>	-	-	<b>12,617,900</b>

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**Annex 6: Contingent Liabilities Register**

	<b>Nature of contingent liability</b>	<b>Remarks</b>
1	-	-
2	-	-
3	-	-
4	-	-
5	-	-
6	-	-
7	-	-
8	-	-
9	-	-
10	-	-

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**Annex 7: Reporting of Climate Relevant Expenditures**

Project Name	Project Description	Project Objectives	Project Activities					Source of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
Strengthening Drought Resilience for Smallholder Farmers and Pastoralists (DRESS EA) in IGAD	The Strengthening Drought Resilience for Smallholder Farmers and Pastoralists (DRESS EA) project is a regional project, funded by the Adaptation Fund for a period of 4 years. The overall objective of the project is to increase the resilience of smallholder farmers and pastoralists to	The overall objective of the project is to increase the resilience of smallholder farmers and pastoralists to climate change risks, mainly those related to drought, through the establishment of appropriate early warning systems and the implementation of drought adaptation actions. More specifically, this project is intended to: Promote investments in drought early warning systems and improve the existing ones <ul style="list-style-type: none"> <li>Strengthen</li> </ul>	<ol style="list-style-type: none"> <li>Assessment of traditional early warning systems</li> <li>Efficient and effective EWS in place/developed</li> <li>Institutional linkages for EW information established.</li> <li>Feedback mechanism for EW information developed.</li> <li>Emergency plan for Drought Management is put in place</li> <li>Drought management plans (DMPs) integrating CC aspects and adaptation actions developed</li> </ol>						

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	<p>climate change risks mainly those related to drought, through the establishment of appropriate early warning systems and implementation of drought adaptation actions in the IGAD region. The project targets to consolidate synergies and adopt innovative and resilient drought management actions from selected IGAD region countries including Djibouti,</p>	<p>and improve the capacity of key stakeholders in drought risks management at regional, national and local levels</p> <ul style="list-style-type: none"> <li>• Support communities to undertake innovative adaptation actions that reinforce their resilience to drought</li> <li>• Enhance knowledge management and information sharing on drought resilience at</li> </ul>	<p>7. Adaptive capacity of institutions, farmers and pastoralists in drought management improved</p> <p>8. New/existing regional and National arrangements /networks for drought management supported</p> <p>9. Innovative water and soil conservation structures constructed</p> <p>10. Ground water sources established/ improved</p> <p>11. Adaptive agricultural practices for improving crop production promoted</p>						
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	<p>Kenya, Sudan and Uganda. The project will be implemented in Samburu and Kitui counties in Kenya</p>	<p>the considered levels</p>	<p>12. Adaptive livestock and rangeland practices enhanced 13. Enabling environment for smallholder farmers and pastoralists adaptive activities created 14. Environmentally friendly IGAs ([e.g., Pottery, Bee keeping, Energy saving stoves, Briquettes making, and interlocking bricks) promoted 15. Good practices and lessons on drought management, EWS and Climate Change impacts</p>						
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			documented and disseminated 16. Drought information management strengthened						
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**Annex 8: Reporting Disaster Management Expenditure**

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

**Annex 9: 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 2024
- iii. Board of Survey Report
- iv. Special Deposit Account(s) reconciliation statement(s)
- v. GOK IFMIS comparison Trial Balance