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REPORT

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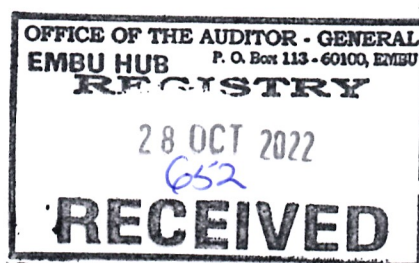
THE AUDITOR-GENERAL

ON

**NEMA-GCF PROJECT PREPARATION
FACILITY: "DEVOLVED CLIMATE CHANGE
GOVERNANCE TO STRENGTHEN RESILIENCE
OF COMMUNITIES IN TARGET COUNTIES"
(PROJECT NO: KEN-PPF-010)**

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

**NATIONAL ENVIRONMENT MANAGEMENT
AUTHORITY**



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

**IMPLEMENTING ENTITY: NATIONAL ENVIRONMENT MANAGEMENT
AUTHORITY**

PROJECT GRANT/CREDIT NUMBER: KEN-PPF-010

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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

Nema-GCF Project Preparation Facility: “Devolved Climate Change Governance to Strengthen Resilience of Communities’ in Target Counties”
Annual Report and Financial Statements For the financial year ended June 30, 2022

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Nema-GCF Project Preparation Facility: “Devolved Climate Change Governance to Strengthen Resilience of Communities’ in Target Counties”
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1. Project Information and Overall Performance

1.1 Name and registered office

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

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

Address

The project headquarters offices are at:

Eland House, Popo Road, off Mombasa Road
Nairobi, Kenya

The address of its registered office is:

P.O. Box 67839-00200
NAIROBI

Contacts: The following are the project contacts

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

E-mail: dgnema.go.ke

Website: www.nema.go.ke

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Project information and overall performance (continued)

1.2 Project Information

Project Start Date:	26 th June 2019
Project End Date:	Initial project end date was 26 April 2020 The project has since requested and received 3 No Cost Extensions as outlined below: <ul style="list-style-type: none"> • Amendment No. 1 - 6 months’ extension, from April to October 2020 • Amendment No.2 – 6 Month extension, from October 2020 to April 2021 • Amendment No.3 – 10 months’ extension from April 2021 to February 2022 <p>NEMA has since submitted a request for a 14-month extension for the ongoing project with a proposed project end date of April 2023.</p>
Project Coordinator:	Ms. Wangare Kirumba
Project Sponsor:	Green Climate Fund
Grant Management	United Nations Office for Project Services (UNOPS)

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the National Treasury as the National Designated Authority under the Green Climate Fund; and the Ministry of Environment and Forestry, the Line ministry of the Accredited Entity, NEMA.
Project number	KEN-PPF-010

Nema-GCF Project Preparation Facility: “Devolved Climate Change Governance to Strengthen Resilience of Communities’ in Target Counties”

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<p>Strategic goals of the project</p>	<p>To enhance the resilience and adaptive capacity of vulnerable communities to climate shocks in targeted Counties, under a devolved governance structure.</p>
<p>Achievement of strategic goals</p>	<p>During the reporting period the KEN-PPF-010 -NEMA – “Devolved climate change governance to strengthen resilience of communities' in target counties”, achieved the following:</p> <ol style="list-style-type: none"> 1. Four (4) consultancies Procured, contracted, and commenced as below; <ol style="list-style-type: none"> a. Development of Environmental and Social Management Framework; Gender Analysis and Associated Gender Action Plan b. Due Diligence and Capacity Assessment of Potential Implementing Entities; And Development of Mechanism for Partnering with Local NGOs, Civil Society, and County Governments. c. Undertaking of Project Feasibility Studies in line with GCF Requirements. d. Development A Green Climate Funding Proposal in line with GCF Requirements 2. Four (4) stakeholder workshops have been conducted in the target counties i.e. Narok, TharakaNithi, Baringo and Isiolo 3. Preliminary Adaptation investment priorities and sites identified during the stakeholder workshops; 4. Three of the four consultancies have submitted first draft reports for review. These reports arise from the stakeholder consultations that have taken place
<p>Other important background information of the project</p>	<p>NEMA as a Direct Access Entity is responsible to lead the implementation of the PPF grant. NEMA will be responsible for the overall management and supervision of each of the funded activity areas in line with its own internal rules, policies and procedures. Specifically, NEMA will be responsible for the administration of the grant in accordance with GCF's Operational Polices and Guidelines as well as NEMA's own standards and procedures</p>

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	<p>NEMA will also manage the day-to-day execution of the activities outlined in the PPF. This includes developing all relevant terms of reference, procuring the services required, selecting appropriate firms and/or consultants, supervising and monitoring the contracting of firms and consultants, providing inputs and support to firms and consultants to ensure quality results and the completion of all activities in a timely manner.</p> <p>The project will focus on interventions in the water sector through targeted investments. The Preparation support will be used to finance:</p> <ul style="list-style-type: none"> (i) The identification and selection of priority adaptation investments in targeted counties through extensive stakeholder consultations; (ii) The required engineering studies and technical assessments to design the identified adaptation investments; (iii) The identification and capacity assessment of potential implementing partners at the local-level; and (iv) The required studies and plans for the Funding Proposal including – a feasibility study; environmental and impact assessment (ESIA) and associated Environmental Management Plan (EMP), gender analysis and gender action plan; and financial model and economic analysis.
<p>Current situation that the project was formed to intervene</p>	<p>The adverse impacts of climate change have led Kenya to enact an overarching Climate Change Act (2016), which puts into place structures to coordinate climate change activities from the national to the county levels. County governments remain key agents in bringing transformation of communities to enhance their resilience and ensure sustainable development. Still, vulnerability to climate change is quite high and will require a systematic process to reduce the impacts of climate change. This project develops a proposal for the target counties aimed at building community resilience to climate shocks by enabling direct access to climate finance at the sub-national level (county).</p>

Nema-GCF Project Preparation Facility: “Devolved Climate Change Governance to Strengthen Resilience of Communities’ in Target Counties”
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Project Information and Overall Performance (Continued)

1.4 Bankers

The following are the bankers for the current year:

Kenya Commercial Bank Ltd (KCB)

Gateway House Branch

P.O. Box 27618-00506, Nairobi

Bank Details: Account Name; NEMA Adaptation Fund USD Account/NEMA Adaptation Fund Kshs Account

Account No. 1165595192/1218639164

1.5 Auditors

The project is audited by the ----- (Insert name of external auditor)

Office of Auditor General

P.O. Box 30084-00100

Nairobi, Kenya

1.6 Roles and Responsibilities

List of officers involved with the project including the project manager, their positions and their roles.

Names	Title designation	Key qualification	Responsibilities
Mamo B Mamo,EBS	Director General	Masters Environmental Education	Overall programme direction and leadership
CPA Kennedy Ochuka	Director Corporate	MBA, CPA(K)	Overall programme

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	Services		financial management
Ms. Wangare Kirumba	NIE Coordinator	Masters EPM	Overall Programme Coordination
Mr. John Wafula	Deputy NIE Coordinator	Masters EPM	Program management
Ms Sarah Muthoni	Knowledge Management Officer	Masters Community Development	Knowledge management
Ms. Ann Gateru	Program Officer	Masters Project Management	Support program management
CPA Peter Obiere	NIE Accountant	BBM, CPA(K)	Financial Management and accounting

1.7 Funding summary

The Project was initially for a duration of one year from 26th June 2019 to 26th October 2020 with an approved budget of USD 371,200 equivalent to Kshs. 36,841,207. However, due to COVID 19 pandemic the donor has granted a no cost extension to February 2022. A further no cost extension of 14 months to April 2023 has been sought. The Green Climate Fund has disbursed USD 352,640 equivalent to Kshs 34,999,147.00, being the first tranche. The donor is yet to release the balance once the absorption is over 70%

Nema-GCF Project Preparation Facility: “Devolved Climate Change Governance to Strengthen Resilience of Communities’ in Target Counties”

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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 - 30/6/2022		Undrawn balance to date	
	Donor currency USD (A)	Kshs (A')	Donor currency USD (B)	Kshs (B')	Donor currency USD (A)-(B)	Kshs (A')-(B')
(i) Grant						
Green Climate Fund	371,200	36,841,207	352,640	34,999,147	18,560	1,840,207
Total	371,200	36,841,207	352,640	34,999,147	18,560	1,840,207

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Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2022)		Cumulative Amount paid to date – (30 th June 2022)	Unutilised balance to date (30 th June 2022)	
	Donor currency USD (A)	Kshs (A')		Donor currency USD (A)-(B)	Kshs (A')-(B')
(i) Grant					
Green Climate Fund	352,640	34,999,147	8,258,454	269,430	26,740,694
Total	352,640	34,999,147	8,258,454	269,430	26,740,694

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Project information and overall performance (continued)

1.8 Summary of Overall Project Performance:

a. Project Timelines

- The PPF grant agreement was signed on the 21st May 2019 between NEMA and UNOPS, the Grant Manager. NEMA received the first disbursement on the 26th June 2019, a total of USD 352,640.00.
- The Project was initially for a duration of one year from 26th June 2019 to 26th October 2020 with an approved budget of USD **371,200** equivalent to Kshs. 36,841,207. However, due to COVID 19 pandemic the donor has granted a no cost extension to February 2022. The Green Climate Fund has disbursed USD **352,640** equivalent to Kshs 34,999,147 since the Project’s commencement. NEMA has spent Kshs 8,258,454 representing absorption rate of 24%
- The project duration was initially for 10 months. NEMA has since received 3 No Cost Extensions – NCE as outlined below;
 - Amendment No. 1 - 6 months’ extension, from April to October 2020
 - Amendment No.2 – 6 Month extension, from October 2020 to April 2021
 - Amendment No.3 – 10 months’ extension from April 2021 to February 2022
- NEMA has since submitted a request for a 14-month extension for the ongoing project with a proposed project end date of April 2023. This project update is prepared and submitted in support of this request.

b. Finance and Auditing

- The project has been audited by the Office of the Auditor General (OAG)

c. Procurement

- NEMA Procured, contracted, and commenced the consultancies for the proposed project activities as detailed below;

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No	Consultancy	Consultant	Cost in Kshs
i.	Development of Environmental and Social Management Framework; Gender Analysis and Associated Gender Action Plan	Tredak Ltd	2,998,291
ii.	Due Diligence and Capacity Assessment of Potential Implementing Entities; And Development of Mechanism for Partnering with Local NGOs, Civil Society, and County Governments.	Earth care Services	1,500,240
iii.	Undertaking of Project Feasibility Studies in line with GCF Requirements.	MA Consulting	10,300,000
iv.	Development of a Green Climate Funding Proposal in line with GCF Requirements	Tredak	4,115,491

d. Project milestones

No.	Deliverable	Status	Remarks
i.	Stakeholder consultations (needed to scope adaptation investments and narrow geographic targets): workshops at National, county, and community level	<ul style="list-style-type: none"> Initial Consultations with the proposed executing entity, the National Drought Management Authority (NDMA) have been held. Identification and Mobilization of relevant stakeholders has been done for the 4 Counties. Four stakeholder 	<p>Further stakeholder engagements will take place during the data collection stage.</p> <p>A national</p>

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		<p>workshops have been conducted in the target counties between the period of May and June 2021.</p> <ul style="list-style-type: none"> • Preliminary Adaptation investment priorities and sites have been identified during the stakeholder workshops and consultations i.e. Water resources management, Livelihoods (pastoralism, Agriculture, food security) and Environment/conservation. 	<p>workshop is scheduled to take place on completion of the draft final reports.</p>
ii.	Comprehensive feasibility study of the project drafted– including financial model and economic analysis.	<ul style="list-style-type: none"> • Contract awarded to 6th November 2020 • Execution of the contract stalled even before the submission of the inception report. 	<p>This has impacted on the completion of the other consultancies</p>
iii.	Due-diligence and capacity assessment of potential implementing entities	<ul style="list-style-type: none"> • The two tasks were merged as one consultancy • Contract awarded on 28th October 2020 • Inception report done 	<p>Finalization is pending inputs from feasibility study</p>

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iv.	Development of mechanism for partnering with local NGOs, Civil Society, and County governments	<ul style="list-style-type: none"> • Stakeholder consultations done • Draft report presented 	Finalization is pending inputs from feasibility study
v.	Preparation of Environmental Social Impact Assessment (ESIA) and associated Environmental and Social management plan, including Hydrological Survey	<ul style="list-style-type: none"> • The two tasks were merged as one consultancy • Contract awarded in 21st October 2020 • Inception report done • Stakeholder consultations done • Draft report presented 	Finalization is pending inputs from feasibility study
vi.	Preparation of Gender Analysis and associated Gender Action Plan		Finalization is pending inputs from feasibility study
vii.	Draft funding proposal and associated annexes	<ul style="list-style-type: none"> • Contract awarded on 5th November 2020 • Inception report done • Stakeholder consultations done • 1st Draft report presented 	Finalization is pending inputs from feasibility study

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e. Challenges

- The Covid 19 pandemic posed a challenge to the stakeholder engagements and the extensive field work required for the proposal development. The project involved considerable consultations with various stakeholders with the attendant risk of spreading Covid-19.
- Contract administration issues with one consultant (feasibility studies) on the mode of payment. This has impacted negatively on the completion of the other consultants.

f. Reporting

- NEMA has since submitted 3 interim project progress reports on the 26 January 2020, 15th December 2020 and 25 July 2021 respectively.

g. Mitigation

- Due to a possible attendant risk of spreading Covid-19, Consultations were carried out in strict compliance to Covid-19 protocols. The consultants incorporated virtual meetings in while undertaking their assignment.
- To avoid further loss of time, NEMA will engage a credible government institution to undertake the assignment on Feasibility study of the project through a government to government procurement process.

1.9 Summary of Project Compliance:

The GCF bank account has not been opened. NEMA is still following up the approval for opening the bank account, with the National Treasury.

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2. Statement Of Performance Against Project’s Predetermined Objectives

Below we provide the progress on attaining the stated objectives:

No.	Project	Objective	Outcome	Indicator	Performance
1.	GCF Project Preparation Facility: “Devolved climate change governance to strengthen resilience of communities’ in target counties	1. To build a devolved governance structure for Kenya to enable vulnerable communities’ greater ownership and access to climate finance for adaptation investments to build resilience and adaptive capacity to climate change.	A GCF funding proposal developed and submitted to Green Climate Fund for funding	1 Funding proposal document and requisite annexes developed	In FY 2020/2021, contract administration resolved

3. Environmental and Sustainability Reporting

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

1. Sustainability strategy and profile

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

2. Environmental performance

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

Policy Objectives

- Guide NEMA in mainstreaming Environmental sustainability into its operations

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

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

Purpose and Objectives of the KEPI

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

1. Be part of a knowledge management system aimed to inform future policy and programming, thereby contributing to the promotion of policy dialogue
2. Acts as a tool for enhancing compliance and enforcement

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3. Assist in building collaborative partnerships between the public and the private sector
4. Act as a supportive tool for capacity development

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

Other milestones the Authority has made in environmental sustainability include;

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

Challenges

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

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3. Employee welfare

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

4. Market place practices-

The organisation should outline its efforts to:

a) Responsible Supply chain and supplier relations-

The project ensures all procurement activities are carried out in accordance with the Government of Kenya public procurement law and regulations. The Authority adheres to the Presidential directive on Access to Government Procurement Opportunities (AGPO) which ensures youth, women and people living with disabilities as individuals or in organized groups benefit. All suppliers are paid within reasonable time after executing their contractual obligations.

b) Responsible ethical practices

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

c) Regulatory impact assessment

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

5. Community Engagements

The Authority’s CSR program is focused on creating and maintaining a strong bond with the community and its stakeholders. To this end, the Authority’s CSR

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initiatives provide communities with opportunities for engagement that touch on the three (Environmental, Economic and Social) broad CSR pillars.

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

- 16 model schools in Narok county were facilitated with water through donation of 6 water tanks. In addition, 200 tree seedlings and 100 bee hives were donated.
- The Authority donated 20 beehives to groups in Mt. Kulai in Marsabit County.
- Distribution of 400 tree seedlings, 100 in Karurumo school Embu, Muthangene Primary School Meru, Muranga and Kiahagu Secondary School in Nyeri.

Nema-GCF Project Preparation Facility: “Devolved Climate Change Governance to Strengthen Resilience of Communities’ in Target Counties”

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4. Statement Of Project Management Responsibilities

The Director General and the Project Coordinator for GCF Project Preparation Facility: “Devolved climate change governance to strengthen resilience of communities’ in target counties are responsible for the preparation and presentation of the Project’s financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year period ended on June 30, 2022. This responsibility includes:

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

The Director General and the Project Coordinator for GCF Project Preparation Facility: “Devolved climate change governance to strengthen resilience of communities’ in target counties accept responsibility for the Project’s financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Director General and the Project Coordinator GCF Project Preparation Facility: “Devolved climate change governance to strengthen resilience of communities’ in target counties are of the opinion that the Project’s financial statements give a true and fair view of the state of Project’s transactions during

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the financial period ended June 30, 2022, and of the Project’s financial position as at that date. The Director General and Project Coordinator the GCF Project Preparation Facility: “Devolved climate change governance to strengthen resilience of communities’ in target counties further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The Director General and the Project Coordinator for GCF Project Preparation Facility: “Devolved climate change governance to strengthen resilience of communities’ in target counties confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project financial statements were approved by the Director General and the Programme Coordinator of the NEMA-GCF Project Preparation Facility: “Devolved climate change governance to strengthen resilience of communities’ in target counties Programme on 23rd September 2022 and signed by them.



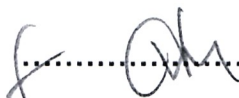
.....
Mamo B. Mamo,
EBS

Director General



.....
Wangare Kirumba

Programme Coordinator



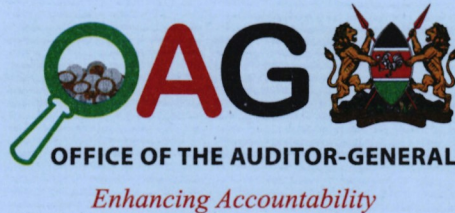
.....
CPA Kennedy Ochuka

Director Corporate Services

**ICPAK Member No:
3872**

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Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NEMA-GCF PROJECT PREPARATION FACILITY: "DEVOLVED CLIMATE CHANGE GOVERNANCE TO STRENGTHEN RESILIENCE OF COMMUNITIES IN TARGET COUNTIES" (PROJECT NO: KEN-PPF-010) FOR THE YEAR ENDED 30 JUNE, 2022 - NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY

PREAMBLE

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

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

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

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

Report of the Auditor-General on NEMA-GCF Project Preparation Facility: "Devolved Climate Change Governance to Strengthen Resilience of Communities in Target Counties" (Project No: KEN-PPF-010) for the year ended 30 June, 2022 - National Environment Management Authority

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of NEMA-GCF Project Preparation Facility: "Devolved Climate Change Governance to Strengthen Resilience of Communities in Target Counties" for the year ended 30 June, 2022 set out on pages 1 to 22, which comprise the statement of financial assets as at 30 June, 2022 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 the NEMA-GCF Project Preparation Facility: Devolved Climate Change Governance to Strengthen Resilience of Communities' in Target Counties" as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Cash Basis), the Public Finance Management Act, 2012, and comply with the Project Cooperation Agreement No KEN-PPF-010 dated 21 May, 2019 between the Government of Kenya and the United Nations Office for Project Services (UNOPS).

Basis for Opinion

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

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June, 2022 reflects revenue budget and actual revenue of Kshs.31,387,985 and Kshs.4,647,291 respectively resulting to a budget shortfall of Kshs.26,740,694 or 85%.

Report of the Auditor-General on NEMA-GCF Project Preparation Facility: "Devolved Climate Change Governance to Strengthen Resilience of Communities in Target Counties" (Project No: KEN-PPF-010) for the year ended 30 June, 2022 - National Environment Management Authority

Further the statement reflects a budget under expenditure of the same amount of Kshs.26,740,694.

The shortfall and under expenditure affected the planned activities and may have impacted negatively on service delivery to the stakeholders of the project.

2. Delayed Project

The National Environment Management Authority contracted a Company to undertake project feasibility studies in line with GCF requirements at a cost of Kshs.10,300,000 from 6 November, 2020 for a period of four (4) months. The contract period had lapsed on 7 March, 2021 and the Company had not submitted the final report.

This delayed the work of the other three consultants who were contracted to perform the following assignments.

- i) Development of Environmental Social Management Framework, Gender Analysis and Associated Gender Action Plan;
- ii) Due Diligence and Capacity Assessment of Potential Implementing Entities; Development of Mechanism for Partnering with Local NGOs, Civil Society, and County Governments
- iii) Development of a Green Climate Funding Proposal

This has therefore resulted to the delay in project execution since the three consultants' assignments depend on the pending inputs from the feasibility study report to finalize their tasks.

In addition, the future of Project is not certain since the donor has not provided an extension of the agreement which lapsed on 25 February, 2022 contrary to Clause 2.4 of Amendment No. 3 of the Project Cooperation Agreement between United Nations Office for Project Services and NEMA concerning the implementation of NEMA-GCF Project Preparation Facility "Devolved Climate Change Governance to Strengthen Resilience of Communities in Target Counties" which states that the contribution granted to the Government under the agreement shall be provided for the period of thirty two (32) months from 26 June, 2019, the date upon which United Nations Office for Project Services has disbursed the first instalment as specified in clause 3.2 (of the original agreement) until 25 February, 2022.

In the circumstances, the future of the Project could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else

has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Failure to Open Project Bank Account

The statement of financial assets reflects Kshs.26,740,694 in respect to cash and cash equivalents for disbursement of project funds. These project funds were not maintained in a separate Project Account at the Central Bank of Kenya contrary to Section 76(1) of the Public Finance Management (National Government) Regulations, 2015.

In the circumstance, the Project Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue to sustain services, disclosing, as applicable, matters related to 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 are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

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

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

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



CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

09 December, 2022

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


6. Statement Of Receipts and Payments for The Year Ended 30th June 2022.


	Not e	Receipts and payments controlled by the entity	Paym- ents made by third partie s	Total	Receipts and payment controlled by the entity	Payme- nts made by third parties	Total	Cumulative to date (From inception)		
		KShs	KShs		KShs	KShs		K Shs	U SD	
RECEIPTS										
Proceeds from domestic and foreign grants	1	-		-	-		-	34,999,147	352,640	
TOTAL RECEIPTS				-	-		-	34,999,147	352,640	
PAYMENTS										
Purchase of goods and services	2	(4,647,291)		(4,647,291)	(2,877,553)		(2,877,553)	8,258,454	83,210	
TOTAL PAYMENTS		(4,647,291)		(4,647,291)	(2,877,553)		(2,877,553)	8,258,454	83,210	
SURPLUS/ (DEFICIT)		(4,647,291)		(4,647,291)	(2,877,553)		(2,877,553)	26,740,694	269,430	


Nema-GCF Project Preparation Facility: "Devolved Climate Change Governance to Strengthen Resilience of Communities' in Target Counties"

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

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


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


.....
Wangare Kirumba
Programme Coordinator


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

Nema-GCF Project Preparation Facility: “Devolved Climate Change Governance to Strengthen Resilience of Communities’ in Target Counties”
Annual Report and Financial Statements For the financial year ended June 30, 2022

7. Statement of Financial Assets As at 30th June 2022

Description	Note	2021-2022		2020-2021	
		Kshs	USD	Kshs	USD
Financial Assets					
Cash and Cash equivalents					
Bank Balances	3A	26,740,694	269,430	31,387,985	316,255
Total Cash and Cash equivalents		26,740,694	269,430	31,387,985	316,255
Total Financial Assets		26,740,694	269,430	31,387,985	316,255
Represented By					
Fund Balance B/fwd.	4	31,387,985	316,255	34,265,538	345,248
Surplus/(Deficit) for the Year		(4,647,291)	(46,825)	(2,877,553)	(28,993)
Net Financial Position		26,740,694	269,430	31,387,985	316,255

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 23rd September 2022 and signed by:

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

.....
Wangare Kirumba
Programme Coordinator

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

Nema-GCF Project Preparation Facility: “Devolved Climate Change Governance to Strengthen Resilience of Communities’ in Target Counties”

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

8. Statement of Cashflow for the Year Ended 30th June 2022

Description	Notes	2021-2022		2020-2021	
		Kshs	USD	Kshs	USD
Cashflow from operating activities					
Receipts					
Proceeds from domestic and foreign grants	1	-		34,999,147	352,640
Total receipts		-		-	
Payments					
Purchase of goods and services	2	(4,647,291)	(46,825)	(2,877,553)	(28,993)
Total Payments		(4,647,291)	(46,825)	(2,877,553)	(28,993)
Adjustments during the year					
Net cash flow from operating activities		(4,647,291)	(46,825)	(2,877,553)	(28,993)
Cash and cash equivalent at beginning of the year		31,387,985	316,255	34,265,538	345,248
Cash and cash equivalent at end of the year		26,740,694	269,429	31,387,985	316,255

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Programme financial statements were approved on 23rd September 2022 and signed by:

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

.....
Wangare Kirumba
Programme Coordinator

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

Communities' in Target Counties"

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

9. Statement of Comparison of Budget and Actual Amounts for the Year Ended 30th June 2022

Receipts/Payments Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
Receipts						
Proceeds from domestic and foreign grants (Balance b/f)	31,387,985	-	31,387,985	4,647,291	26,740,694	14.8%
Total Receipts	31,387,985	-	31,387,985	4,647,291	26,740,694	14.8%
Payments						
Stakeholder consultations	8,304,475		8,304,475	1,090,400	7,214,075	13.1%
Comprehensive feasibility study	9,924,779		9,924,779	-	9,924,779	
Due diligence & capacity building of potential implementing entities	661,056		661,056	-	661,056	
Mechanisms for partnering with local NGOs, civil societies and county Governments	389,353		389,353	-	389,353	
Preparation of ESIA	6,451,106		6,451,106	-	6,451,106	
Preparation of gender analysis and associated gender action plan	1,488,716		1,488,716	1,499,145	(10,429)	100.7%
Draft funding proposal and associated Annexes	4,168,500		4,168,500	2,057,746	2,110,754	49.4%
Total Payments	31,387,985		31,387,985	4,647,291	26,740,694	14.8%


Nema-GCF Project Preparation Facility: "Devolved Climate Change Governance to Strengthen Resilience of Communities' in Target Counties"

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

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

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Mamo B. Mamo, EBS
Director General

.....
Wangari Kirumba
Programme Coordinator


CPA Kennedy Ochuka
Director Corporate Services
ICPAK Member No: 3872

Nema-GCF Project Preparation Facility: “Devolved Climate Change Governance to Strengthen Resilience of Communities’ in Target Counties”
Annual Report and Financial Statements For the financial year ended June 30, 2022

10. Significant Accounting Policies

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

10.1 Statement of compliance and basis of preparation

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

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

10.2 Reporting entity

The financial statements are for the Project xxx under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

10.3 Reporting currency

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

10.4 Recognition of receipts

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

i) Transfers from the Exchequer

Transfer from Exchequer is be 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.

Nema-GCF Project Preparation Facility: “Devolved Climate Change Governance to Strengthen Resilience of Communities’ in Target Counties”
Annual Report and Financial Statements For the financial year ended June 30, 2022

Significant Accounting Policies (Continued)

ii) External Assistance

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

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 the time associated cash is received.

a) 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.

b) Proceeds from borrowing

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

c) 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

Nema-GCF Project Preparation Facility: “Devolved Climate Change Governance to Strengthen Resilience of Communities’ in Target Counties”
Annual Report and Financial Statements For the financial year ended June 30, 2022

Significant Accounting Policies (Continued)

d) Recognition of payments

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

i) Compensation of employees

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

ii) Use of goods and services

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

iii) Interest on borrowing

Borrowing costs that include interest are recognized as payment in the period in which they incurred 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.

Nema-GCF Project Preparation Facility: “Devolved Climate Change Governance to Strengthen Resilience of Communities’ in Target Counties”

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

Significant Accounting Policies (Continued)

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.

e) 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.

f) Cash and cash equivalents

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

For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

g) 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.

Nema-GCF Project Preparation Facility: “Devolved Climate Change Governance to Strengthen Resilience of Communities’ in Target Counties”
Annual Report and Financial Statements For the financial year ended June 30, 2022

Significant Accounting Policies (Continued)

h) Imprests and Advances

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

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

Nema-GCF Project Preparation Facility: “Devolved Climate Change Governance to Strengthen Resilience of Communities’ in Target Counties”

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

Significant Accounting Policies (Continued)

j) Contingent Assets

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

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

Nema-GCF Project Preparation Facility: “Devolved Climate Change Governance to Strengthen Resilience of Communities’ in Target Counties”
Annual Report and Financial Statements For the financial year ended June 30, 2022

Significant Accounting Policies (Continued)

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

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. During the year, the programme did not receive any loan disbursements in form of direct payments from third parties.

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 recognised in the statements of receipts and payments.

Significant Accounting Policies (Continued)

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.

Nema-GCF Project Preparation Facility: “Devolved Climate Change Governance to Strengthen Resilience of Communities’ in Target Counties”
Annual Report and Financial Statements For the financial year ended June 30, 2022

Significant Accounting Policies (Continued)

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, 2022.

q) Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). There were no prior year adjustments Explanations and details of these prior period adjustments for the year ended June 30, 2022.

Communities' in Target Counties”

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

Notes To The Financial Statements

1. Proceeds From Domestic And Foreign Grants

During the 12 months to 30 June 2022, we received grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment*	Grants received in kind	Total amount in Kshs	
						2021-2022	2020-2021
			Kshs	Kshs	Kshs	Kshs	Kshs
Grants Received from Multilateral Donors (International Organizations)							
Green Climate Fund Secretariat							34,999,147
Total							34,999,147

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

Notes To The Financial Statements (Continued)

2. Purchase Of Goods And Services

	2021/2022		2020/2021		Cumulative to-date
	Payments made in Cash Kshs	Payments made by third parties Kshs	Total payments Kshs	Total payments Kshs	
Domestic travel and subsistence	898,400		898,400	2,141,500	3,294,700
Printing , advertisement and information supplies					407,122
Hospitality supplies and services	192,000		192,000	305,381	569,070
Specialized materials and services	3,556,891		3,556,891	430,672	3,987,563
Total	4,647,291		4,647,291	2,877,553	8,258,454

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3. Cash And Cash Equivalents

Description	2021-2022	2020-2021
	Kshs	Kshs
Bank accounts (A/c No.1165595192/121869164)	26,740,694	31,387,985
Total	<u>26,740,694</u>	<u>31,387,985</u>

3. A Bank Accounts

Project Bank Accounts

Details	2021-2022	2020-2021
	Kshs	Kshs
Local currency bank accounts		
Kenya Commercial Bank [A/c No.1218639164]	26,740,694	31,387,985
Total bank account balances	<u>26,740,694</u>	<u>31,387,985</u>

Special Deposit Account

The Project does not have a special deposit Account

3. B Cash in hand

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

3. C Cash equivalents (short-term deposits)

The project does not have short-term deposits.

4. Fund Balance Brought Forward

Description	2021-2022	2020-2021
	Kshs	Kshs
Bank accounts	26,740,694	31,387,985
Total	26,740,694	31,387,985

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11. Progress On Follow Up Of Prior Year Auditor’s Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Budgetary Control and Performance. The Summary statement of comparative budget and actual amount reflects final receipts budget and actual on comparable basis of Kshs 34,265,538 respectively. However, the project spent Kshs 2,877,553 against an approved budget of Kshs 34,265,538 resulting to an</p>	<p>This was because the public trainings couldn’t take place because of the COVID 19 pandemic. Therefore leading to under absorption of the funds e initial stages of this project was very heavy on doing public trainings and workshops Consultants have been procured to undertake validation workshops in 4 counties and present the findings to the beneficiary communities</p>	Resolved	

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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)
	under-expenditure of Kshs 31,387,985 or 92% of the budget. The underperformance affected the planned activities and may have impacted negatively on service delivery to the stakeholders of the project	Further , NEMA has sought no cost extension to ensure all project activities are implemented within schedule.	Resolved	
	Failure to open Bank Account The project Management did not open a separate bank account as required	The Authority requested the National Treasury to grant authority to open GCF bank account. There has been a delay in National Treasury	Not Resolved	30 th June 2022

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>by section 74(1) where the public Finance Management Regulations ,2015 states that for the purpose of disbursement of project funds,there shall be opened and maintained a project account for every project at Central Bank of Kenya unless it is exempted by the Cabinet Secretary, in writing, into which all funds shall be kept. The Act further states that such an account shall be</p>	<p>granting this approval.The Authority is still following up with National Treasury for the approval to open GCF bank account, and will not receive funds for the main project before the approval is secured</p> <p>The Authority continues to reconcile the GCF account balances and will transfer the reconciled balances to the GCF bank account once the National Treasury gives the</p>		


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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	known by the name of the project for which it is opened, and each project shall maintain only one bank account. The Management did not obtain authority to open a project account but deposited the project funds in an existing project account contrary to the law	authority to open the bank account	Resolved	



Mamo B. Mamo, EBS
 Director General



Wangare Kirumba
 Programme Coordinator

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12. Annexes

Annex 1 - Variance Explanations - Comparative Budget and Actual Amounts for FY 2021-2022

	Final Budget a	Actual Comparable b	Budget Utilization difference c=a-b	% of Utilization D=b/a%	Comments on Variance (below 90% and over 100%)
Receipts					
Proceeds from domestic and foreign grants (Balance b/f)	31,387,985	4,647,291	26,740,694	14.8%	-
Total Receipts	31,387,985	4,647,291	26,740,694	14.8%	-
Payments					
Stakeholder consultations	8,304,475	1,090,400	7,214,075	13.1%	
Comprehensive feasibility study	9,924,779	-	9,924,779	0	
Due diligence & capacity building of potential implementing entities	661,056	-	661,056	0	
Mechanisms for partnering with local NGOs, civil societies and county Governments	389,353	-	389,353	0	
Preparation of ESIA	6,451,106	-	6,451,106	0	
Preparation of gender analysis and associated gender action plan	1,488,716	1,499,145	(10,429)	100.7%	
Draft funding proposal and associated Annexes	4,168,500	2,057,746	2,110,754	49.4%	

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	Final Budget	Actual Comparable	Budget Utilization difference	% of Utilization	Comments on Variance (below 90% and over 100%)
Total Payments	31,387,985	4,647,291	26,740,694	14.8%	

The Above Amounts Have Been Communicated To And Reconciled

Programme Coordinator
NEMA GCF PPF Programme

Sign -----


Head of Accounting Unit
NEMA

Sign -----


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Annex 2 – Contingent Liabilities Register

	Nature of contingent liability	Payable to	Estimated Amount Kshs	Expected date of payment	Remarks
1	Consultancy Services	Tredak Ltd	1,499,145	30 th June 2023	Project ongoing
2	Consultancy Services	Tredak Ltd	2,057,745	30 th June 2023	Project ongoing

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Annex: 3 Reporting of Climate Relevant Expenditures

Name of the Organization-National Environment Management Authority (NEMA)
 Telephone Number--(254) 020665522
 Email Address- dgnema@nema.go.ke
 Name of CEO/MD/Head- MAMO B. MAMO, EBS

Name and contact details of contact person (in case of any clarifications) Wangare Kirumba (254 020605522)

Project Name	Project Description	Project Objectives	Project Activities	Source Of Funds				Implementing Partners
				Q1	Q2	Q3	Q4	
NEMA-GCF Project Preparation Facility	Devolved climate change governance to strengthen resilience of communities’ in target counties	To build a devolved governance structure for Kenya to enable vulnerable communities’ greater ownership and access to climate finance for adaptation investments to build resilience and adaptive capacity to climate change.	Development of GCF funding proposal to be submitted to Green Climate Fund for funding	4,244,490			402,800	Green Climate Fund Secretariat



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Annex 4: Other Support Documents

- i. Bank Reconciliations statement as at 30th June 2022