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**REPORT**

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**THE AUDITOR-GENERAL**

**ON**

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

**FOR THE YEAR ENDED  
30 JUNE, 2020**

**NATIONAL ENVIRONMENT MANAGEMENT  
AUTHORITY**





**Programme Name: NEMA- GCF Readiness and Preparatory Support: “NEMA Capacity Strengthening programme towards accessing climate finance from Green Climate Fund”**

**Implementing Entity: National Environment Management Authority**

**PROJECT GRANT/CREDIT NUMBER: KEN-RS-003**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2020**

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

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## **1. PROJECT INFORMATION AND OVERALL PERFORMANCE**

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

**Name:** GCF Readiness and Preparatory Support: “NEMA Capacity Strengthening programme towards accessing climate finance from Green Climate Fund” under UNOPS

**Objective:** To build and strengthen NEMA’s institutional capacity as an accredited entity to GCF.

**Address:** The project headquarters offices are:

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

#### **Director General**

National Environment Management Authority

Po Box 67839 00200

Email; [dgnema@nema.go.ke](mailto:dgnema@nema.go.ke)

&

#### **Wangare Kirumba,**

Programme coordinator

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Telephone: (254) 712815514

Website: [www.nema.go.ke](http://www.nema.go.ke)

### **1.2 Project Information**

<b>Project Start Date:</b>	The project official start date is 26. 06 2019
<b>Project End Date:</b>	The project end date is 25. 06. 2021
<b>Project Coordinator:</b>	The project manager is Ms.Wangare Kirumba

**GCF Readiness and Preparatory Support: “NEMA Capacity Strengthening programme towards accessing climate finance from Green Climate Fund” under United Nations for Projects Services (UNOPS)**

<b>Project Sponsor:</b>	The project sponsor is Green Climate Fund
<b>Grant Manager</b>	UNOPS

**GCF Readiness and Preparatory Support: “NEMA Capacity Strengthening programme towards accessing climate finance from Green Climate Fund” under United Nations for Projects Services (UNOPS)**

**1.3 Project Overview**

<p><b>Line Ministry/State Department of the project</b></p>	<p>The project is under the supervision of the National Treasury which is the National Designated Authority under the Green Climate Fund, and the Ministry of Environment and Forestry, the line ministry of the Accredited Entity NEMA.</p>
<p><b>Project number</b></p>	<p>KEN-RS-003</p>
<p><b>Strategic goals of the project</b></p>	<ol style="list-style-type: none"> <li>1. To address accreditation recommendation (conditions) which relate to Environment and Social Management System, and Gender policy and action plan.</li> <li>2. To build requisite capacity and readiness at NEMA for GCF programming and implementation.</li> <li>3. To Support NEMA’s accreditation upgrade to grant award application</li> </ol>
<p><b>Achievement of strategic goals</b></p>	<p>Procurement of consultants to develop requisite systems and build NEMA’s capacity through training was advanced during the reporting year.</p>
<p><b>Other important background information of the project</b></p>	<p>NEMA as a Direct Access Entity is responsible to lead the implementation of the Readiness grant. NEMA will be responsible for the overall management and supervision of each of the funded activity areas in line with its own internal rules, policies and procedures. Specifically, NEMA will be responsible for the administration of the grant in accordance with GCF’s Operational Polices and Guidelines as well as NEMA’s own standards and procedures</p> <p>NEMA will also manage the day-to-day execution of the activities outlined in the Readiness support. This includes developing all relevant terms of reference, procuring the services required, selecting appropriate firms and/or consultants, supervising and monitoring the contracting of firms and consultants, providing inputs and support to firms and consultants to ensure quality results and the completion of all activities in a timely fashion.</p>

GCF Readiness and Preparatory Support: “NEMA Capacity Strengthening programme towards accessing climate finance from Green Climate Fund” under United Nations for Projects Services (UNOPS)

	NEMA has engaged on proposal design process, without significant success in relation to securing approvals, thereby necessitating the need for readiness technical grant. NEMA has identified certain aspects as the existing barriers to its ability to operationalise its GCF accreditation, and meet the aspirations of the Kenya Government and the Green Climate Fund on working towards low carbon growth and Climate Change resilience building.
<b>Current situation that the project was formed to intervene</b>	The proposed readiness programme seeks to address the following gaps; <ol style="list-style-type: none"> <li>1. Operational capacity Constraints,</li> <li>2. Knowledge and institutional policy gaps on GCF ESS</li> <li>3. Knowledge gap/inadequate technical capacity on GCF gender policy.</li> <li>4. GCF programme design Capacities</li> <li>5. Finances to meet the costs of requisite programme design studies and stakeholder consultation processes</li> </ol>
<b>Project duration</b>	The project started on 26 <sup>th</sup> June, 2019 and is expected to run until 25 <sup>th</sup> June 2021

1.4 Bankers

The following are the bankers for the current year:

Kenya Commercial Bank Ltd (KCB)

Bank Details:

Account Name: NEMA Adaptation Fund Kshs Account

Account No. 1218639164

Kenya Commercial Bank Ltd (KCB)



**GCF Readiness and Preparatory Support: “NEMA Capacity Strengthening programme towards accessing climate finance from Green Climate Fund” under United Nations for Projects Services (UNOPS)**

### **1.5 Auditors**

The project is audited by:  
Office of Auditor General  
P.O. Box 30084-00100  
Nairobi,  
Kenya

### **1.6 Roles and Responsibilities**

List the different people who will be 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>
Mamo Boru Mamo	Director General	Doctor of Philosophy	Overall programme direction and leadership
Ms. Wangare Kirumba	NIE Coordinator	Masters Environmental Planning and Management	Overall Programme Coordination
Mr. John Wafula	Deputy NIE Coordinator	Masters Environmental Planning Management	Program management
Ms Sarah Muthoni	Knowledge Management Officer	Masters Community Development	Knowledge management
Ms. Ann Gateru	Program Officer	Masters Project Management	Support program management
Mr. Peter Obiere	NIE Accountant	MBM, BBM, CPA(K)	Accounting and Financial Management

GCF Readiness and Preparatory Support: “NEMA Capacity Strengthening programme towards accessing climate finance from Green Climate Fund” under United Nations for Projects Services (UNOPS)

### **1.7 Funding Summary**

The Project is for duration of 1 year from June 2019 to June 2021 with an approved budget of USD 431,060 equivalent to Kshs 43,106,000. Green Climate Fund disbursed USD **258,636** equivalent to Kshs 25,669,349, being first tranche.

Below is the funding summary:

Source of funds	Donor Commitment-		Amount received to date – 30/6/2020		Undrawn balance to date	
	Donor currency	Kshs	Donor currency	Kshs	Donor currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>(i) Grant</b>						
Green Climate Fund Secretariat	USD 431,060	Kshs 43,106,000	USD 258,636	Kshs 25,669,350	USD 172,424	Kshs 17,242,400
<b>Total</b>	<b>USD 431,060</b>	<b>Kshs 43,106,000</b>	<b>USD 258,636</b>	<b>Kshs 25,669,350</b>	<b>USD 172,424</b>	<b>Ksh 17,242,400</b>

GCF Readiness and Preparatory Support: "NEMA Capacity Strengthening programme towards accessing climate finance from Green Climate Fund" under United Nations for Projects Services (UNOPS)

### **1.8 Summary of Overall Project Performance:**

NEMA has received a total of USD 258,636 Kshs 25,669,350 equivalent, being the programme's first tranche NEMA has spent Kshs 3,032,886 representing an absorption rate of 11.8%. The project procured consultants to kick start the project activities in the month of August 2020.

During this reporting period the main achievements are as follows:

1. Terms of reference -T.o.R. for the 3 Readiness consultancies have been developed and approved for procurement
2. Expenditure approvals have been acquired to carry out four (4) main workshops for the NEMA staff working in the 47 counties mapped in to four regions
3. The Request for Proposal (RFP) document for the 3 consultancies is under preparation by the NEMA procurement section for invitation of bids from potential consultancies

Delays in Implementation of project activities has been identified as a risk to the project and as a mitigation measure, NEMA management has since seconded a procurement officer to the programmes section to fast track procurement processes for the Readiness support received. Close supervision to the consultant will be provided to avoid further lapse of time.

### **1.9 Summary of Project Compliance:**

There were no cases of non- compliance with applicable laws and regulations, and external financing agreements/ Covenants.

## **2.STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES**

The key development objectives of the *project's 2018-2022* plan are to:

KRA 1: Environmental Quality, Protection and Conservation

Objectives:

**GCF Readiness and Preparatory Support: “NEMA Capacity Strengthening programme towards accessing climate finance from Green Climate Fund” under United Nations for Projects Services (UNOPS)**

1. To improve the quality of the environment
2. To promote sustainable natural resource utilization
3. To promote public behavioral change in environmental Management

**KRA 2: Ecological Integrity of Ecosystems**

1. To promote conservation and management of aquatic and terrestrial ecosystems
2. To promote conservation and management of environmentally significant areas

**KRA 3: Climate Change**

1. To support reduction and monitoring of Green House Gases (GHG) emissions
2. To advance implementation of climate change duties by public and private entities
3. To integrate climate risk and vulnerability assessment into all forms of assessment
4. To mobilize and deploy climate Finance
5. To support implementation of CCA, NAP, NDC, NCCAP
6. To promote programmes on Carbon Neutrality

**KRA 4: Environmental Governance and Coordination**

1. To strengthen the regulatory framework for environmental management
2. To Promote synergy in management of environmental functions

**KRA 5: Green economy for Sustainable Development**

1. To promote blue economy
2. To promote green and circular economy
3. To promote the reduction of environment risks

**KRA 6: Institutional Capacity**

1. To strengthen corporate governance
2. To enhance corporate image
3. To strengthen human capital
4. To enhance financial sustainability
5. To enhance service delivery
6. Risk Management

**GCF Readiness and Preparatory Support: “NEMA Capacity Strengthening programme towards accessing climate finance from Green Climate Fund” under United Nations for Projects Services (UNOPS)**

**Progress on attainment of Strategic development objectives**

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

**3.CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

Corporate Social responsibility has become one of the standard business practices of our time. For companies committed to CSR it means kudos and enhanced overall reputation. – powerful statement of what they stand for in an often-cynical business world.

Social and environmental responsibilities are an integral part of the Authority’s practices. To ensure a harmonized and orderly approach to our CSR activities, NEMA developed its CSR policy

We have over the years strived to mainstream environmental conservation in the development of the country so as ensure the sustainable development of the country. In order to attain this, we have mainstreamed environmental sustainability in the performance contracts of all contracts of all government institutions. We visit these institutions to assist them be more environmentally conscious in their activities. This is done at the Authority’s costs.

We worked closely with the several communities especially the weak and vulnerable. Several activities to commemorate world environment events were organized and held with these communities.

During the financial year 2019/2020, the Authority carried out the following CSR activities

- Planted 130,520 seedlings (Marsabit county-38720, Mau Forest-39,000, Gazi, Kwale-2,000 mangrove seedlings, Maasai Mara marathon- 5,000, Kajiado county(Oloitoktok)-11,800, 19,000 seedlings during the world wetlands Day in Mau Forest,(3,000 trees distributed and planted by households in Turkana ,1,000 during WDCD, 1,000 Ngomg Fores,5.000 African Public Service Day,Kaptagat and sector field stations in Elgeyo Marakwet 18,000)
- Model schools identified in the 3 Counties where the Authority procured water harvesting structures, establishment of vegetable gardens and tree nurseries for the tree ESD model schools.

### **Employee Welfare**

We have reviewed NEMA human resources 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.

### **Market place practices**

Access to Government Procurement Opportunities(AGPO): The Authority adheres to the Presidential directive on Access to Government Procurement opportunities (AGPO) which includes youth, women and PWDs as individuals or in organized groups.

During the year , the Authority offered AGPO Kshs 76.11 Million against a target of Kshs 100 Million . This is an achievement of 75.5% . We further prequalified the registered groups as affirmative action. The three target groups were trained on government procurement procedures and requirements. The Authority also submitted to PPRA a summary of procurements allocated to the target group in the format provided in in the PPRA website and also submitted to national council for persons with disability, a summary of procurement opportunities allocated to PWDs The Authority will endeavour to collaborate with various organizations to enhance environment education with various target groups.

**GCF Readiness and Preparatory Support: “NEMA Capacity Strengthening programme towards accessing climate finance from Green Climate Fund” under United Nations for Projects Services (UNOPS)**

#### **4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES**

The *Accounting Officer* and the *Programme Coordinator* for **GCF Readiness and Preparatory Support: “NEMA Capacity Strengthening programme towards accessing climate finance from Green Climate Fund” under UNOPS** 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, 2020. This responsibility includes:

- (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period;
- (ii) (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project;
- (iii)(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)(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 *Accounting Officer* and the *Programme Coordinator* for **GCF Readiness and Preparatory Support: “NEMA Capacity Strengthening programme towards accessing climate finance from Green Climate Fund” under UNOPS** 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 *Accounting Officer* and the *Programme Coordinator* for **GCF Readiness and Preparatory Support: “NEMA Capacity Strengthening programme towards accessing climate finance from Green Climate Fund” under UNOPS** are of the opinion that the Project’s financial statements give a true and fair view of the state of Project’s transactions during the financial year/period ended June 30, 2020, and of the Project’s financial position as at that date. The *Accounting Officer* and the *Programme Coordinator* for **GCF Readiness and Preparatory Support: “NEMA Capacity Strengthening programme towards accessing climate finance**

GCF Readiness and Preparatory Support: “NEMA Capacity Strengthening programme towards accessing climate finance from Green Climate Fund” under United Nations for Projects Services (UNOPS) from Green Climate Fund” under UNOPS further confirm the completeness of the accounting records maintained for the Programme, 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 *Accounting Officer* and the *Programme Coordinator* for **GCF Readiness and Preparatory Support: “NEMA Capacity Strengthening programme towards accessing climate finance from Green Climate Fund” under UNOPS** confirm that the Programme has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Programme 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.

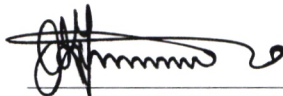
**Approval of the Project financial statements**

The Programme financial statements were approved by the *Accounting Officer* and the *Programme Coordinator* for **GCF Readiness and Preparatory Support: “NEMA Capacity Strengthening programme towards accessing climate finance from Green Climate Fund” under UNOPS** on 28<sup>th</sup> December 2020 and signed by them.



Accounting Officer

MAMO B. MAMO



Programme Coordinator

WANGARE KIRUMBA

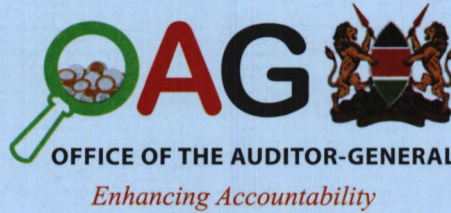


Programme Accountant

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ICPAK Member Number 13975

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## **REPORT OF THE AUDITOR-GENERAL ON GCF READINESS AND PREPARATORY SUPPORT: “NEMA CAPACITY STRENGTHENING PROGRAMME TOWARDS ACCESSING CLIMATE FINANCE FROM GREEN CLIMATE FUND” FOR THE YEAR ENDED 30 JUNE, 2020 - NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY**

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### REPORT ON THE FINANCIAL STATEMENTS

#### **Opinion**

I have audited the accompanying financial statements of GCF Readiness and Preparatory Support: “NEMA Capacity Strengthening Programme towards Accessing Climate Finance from Green Climate Fund” set out on pages 1 to 18, which comprise of the statement of financial assets as at 30 June, 2020, statement of receipts and payments, statement of cash flows and the statement of comparative 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 GCF Readiness and Preparatory Support “NEMA Capacity Strengthening Programme towards Accessing Climate Finance from Green Climate Fund” as at 30 June, 2020, 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 Programme Cooperation Agreement No.KEN-RS-003 dated 21 May, 2019 between the United Nations Office for Project Services (UNOPS) and the Government of Kenya and the Public Finance Management Act, 2012.

#### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the GCF Readiness and Preparatory support: “NEMA Capacity Strengthening Programme towards Accessing Climate Finance from Green Climate Fund” 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.

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*Report of the Auditor-General on GCF Readiness and Preparatory Support: “NEMA Capacity Strengthening Programme towards Accessing Climate Finance from Green Climate Fund” for the year ended 30 June, 2020 - National Environment Management Authority*

## **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.

## **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 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**

#### **Comingling of Projects Funds**

Management did not open a separate Programme bank account but instead the Project funds are deposited in the Project Integrated Programme to Build Resilience to Climate Change and Adaptive Capacity of Vulnerable Communities in Kenya's bank account No.1218639164. It has not therefore, been possible to isolate transactions between the two projects considering that the money is fungible. This was contrary to Section 76(1) of the Public Finance Management (National Government) Regulations, 2015 which states that for the purpose of disbursement of project funds, there shall be opened and maintained a project account for every project at the Central Bank of Kenya into which all funds shall be kept unless it is exempted by the Cabinet Secretary, in writing. The regulation further states that, such an account shall be in the name of the project for which it is opened and each project shall maintain only one bank account.

Consequently, Management is in breach of the regulation.

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 overall 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 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 Board of Directors**

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

In preparing the financial statements, Management is responsible for assessing the Programme'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 Programme or to cease operations.

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

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

The Board of Directors is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Programme 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 overall 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 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 Programme'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 Programme 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 Programme 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.



**Nancy Gathungu**  
**AUDITOR-GENERAL**

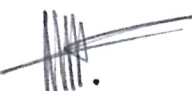
**Nairobi**

**30 December, 2020**

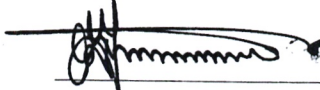
**6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2020**

		2019-2020	2018-19	Cum to date
<b>RECEIPTS</b>	Notes			
Proceeds from domestic and foreign grants	9.3	25,669,350	-	25,669,350
<b>Total receipts</b>				
<b>PAYMENTS</b>				
Purchase of goods and services	9.4	3,032,886		3,032,886
Acquisition of non-financial assets		-		-
Transfers to other government entities		-		-
Other payments: Bank Charges		-		-
<b>TOTAL PAYMENTS</b>		<b>3,032,886</b>		<b>3,032,886</b>
<b>SURPLUS/DEFICIT FOR THE YEAR</b>		<b>22,636,464</b>		<b><u>22,636,464</u></b>

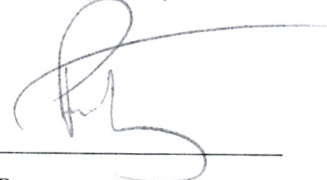
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 28<sup>th</sup> December 2020 and signed by:

  
Accounting officer

28/12/2020  
Date

  
Project Coordinator

28/12/2020  
Date

  
Programme Accountant

28<sup>th</sup> December 2020  
Date


ICPAK Member No.13975

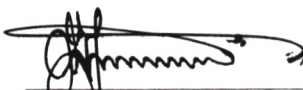
GCF Readiness and Preparatory Support: "NEMA Capacity Strengthening programme towards accessing climate finance from Green Climate Fund" under United Nations for Projects Services (UNOPS)

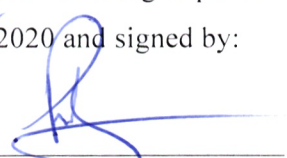
7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2020

		2019-2020	2018-2019
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	9.7	22,636,464	-
Outstanding Advances			
Outstanding Imprests			
<b>TOTAL FINANCIAL ASSETS</b>		<b>22,636,464</b>	<b>-</b>
<b>REPRESENTED BY:</b>			
Cash and cash equivalents b/fwd			
Surplus/Deficit for the year		22,636,464	-
Prior year adjustments		-	-
<b>NET FINANCIAL POSITION</b>		<b>22,636,464</b>	<b>-</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 28th December 2020 and signed by:

  
Accounting officer

  
Project Coordinator

  
Programme Accountant

28/12/2020  
Date

28/12/2020  
Date

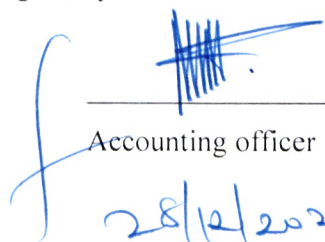
28th December 2020  
Date

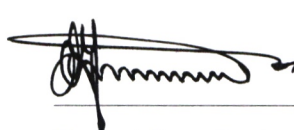
ICPAK Member No. 13975

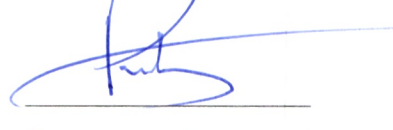
8.STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2020

		2019-2020	2018-2019
	Notes		KES
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts for operating income</b>			
Proceeds from domestic and foreign grants	9.3	25,669,350	-
Exchange loss/gain			
Miscellaneous receipts			
<b>Payments for operating expenses</b>			
Purchase of goods and services	9.4	3,032,886	-
Transfers to other government entities			
Other payments (bank charges)			
<b>Net cash flow from operating activities</b>			
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Non-Financial Assets		-	-
<b>Net cash flows from Investing Activities</b>			
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		22,636,464	-
<b>Cash and cash equivalent at BEGINNING of the year</b>		-	-
<b>Cash and cash equivalent at END of the year</b>		22,636,464	-

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 28th December 2020 and signed by:

  
 Accounting officer  
28/12/2020  
 Date

  
 Project Coordinator  
28/12/2020  
 Date

  
 Programme Accountant  
28th December 2020  
 Date

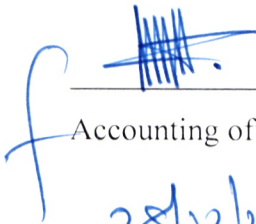
GCF Readiness and Preparatory Support: “NEMA Capacity Strengthening programme towards accessing climate finance from Green Climate Fund” under United Nations for Projects Services (UNOPS)

**9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

Receipts/Payment Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget utilisation	% of utilisation
	A	B	C= a+b	D	E=d-c	F=e/c %
<b>Receipts</b>						
Proceeds from domestic and foreign grants	25,669,350		25,669,350	25,669,350		100%
Foreign Exchange gain						
<b>Total Receipts</b>	<b>25,669,350</b>		<b>25,669,350</b>	<b>25,669,350</b>		100%
<b>Payments</b>						
Transfer to other Government entities						
Purchase of goods and supplies	3,032,886		3,032,886	3,032,886		100%
Acquisition of non-financial Assets						
Bank Charges						
<b>Total Payments</b>	<b>3,032,886</b>		<b>3,032,886</b>	<b>3,032,886</b>		100%

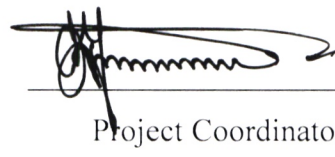
GCF Readiness and Preparatory Support: "NEMA Capacity Strengthening programme towards accessing climate finance from Green Climate Fund" under United Nations for Projects Services (UNOPS)

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

  
Accounting officer

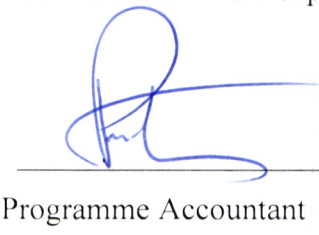
28/12/2020

Date

  
Project Coordinator

28/12/2020

Date

  
Programme Accountant

28th December 2020

Date

ICPAK Member No.13975

## **10. NOTES TO THE FINANCIAL STATEMENTS**

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

### **9.1 Basis of Preparation**

#### **9.1.1 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 imprest and advances and b) payables that include deposits and retentions.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

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

#### **9.1.2 Reporting entity**

The financial statements are for the Integrated Programme to build resilience to climate change and adaptive capacity of vulnerable communities in Kenya under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

#### **9.1.3 Reporting currency**

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

### **9.2 Significant Accounting Policies**

#### **a) Recognition of receipts**

**GCF Readiness and Preparatory Support: “NEMA Capacity Strengthening programme towards accessing climate finance from Green Climate Fund” under United Nations for Projects Services (UNOPS)**

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

**• External Assistance**

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

## **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **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.

### **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

- **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.

### **b) Recognition of payments**

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

- **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.

- **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.

## **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **c) 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.

### **d) 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 Kenya Commercial Bank of Kenya at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprest and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

### **e) Accounts receivable**

For the purposes of these financial statements, imprest 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.

**f) 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’ items to provide a sense of the overall net cash position of the Project at the end of the year. 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.

**g) 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 cash 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 annex1 to these financial statements.

**h) 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.

**i) 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.

**j) 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, 2020

**k) Errors**

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. Restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

GCF Readiness and Preparatory Support: “NEMA Capacity Strengthening programme towards accessing climate finance from Green Climate Fund” under United Nations for Projects Services (UNOPS)

### 9.3 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the 12 months to 30 June 2019 we received grants from Adaptation Fund as below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Total amount in Kshs	
				FY 2019/20	FY 2018/19
		USD	Kshs	Kshs	Kshs
<b>Grants Received from Multilateral Donors (International Organizations)</b>					
<b>Green Climate Fund Secretariat</b>	<b>25-10-2019</b>	258,636	25,669,350	25,669,350	NIL
<b>Total</b>		258,636	25,669,350	25,669,350	<b>NIL</b>

#### 9.4 PURCHASE OF GOODS AND SERVICES

	FY 2019/20			FY 2018/19	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Utilities, supplies and services	199,400	-	199,400	-	199,400
Domestic travel and subsistence	1,787,150	-	1,787,150	-	1,787,150
Foreign travel and subsistence	1,046,336	-	1,046,336	-	1,046,336
Training payments					
Hospitality supplies and services					
Routine maintenance					
<b>Total</b>	<b><u>3,032,886</u></b>		<b><u>3,032,886</u></b>		<b><u>3,032,886</u></b>

#### 9.5 ACQUISITION OF NON-FINANCIAL ASSETS

	FY 2019/20			FY 2018/19	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Purchase of vehicles					

*Annual Report and Financial Statements for the financial year ended June 30, 2020*

GCF Readiness and Preparatory Support: “NEMA Capacity Strengthening programme towards accessing climate finance from Green Climate Fund” under United Nations for Projects Services (UNOPS)

Purchase of office furniture & general equipment					
<b>Total</b>					

## **9.6 TRANSFERS TO OTHER GOVERNMENT ENTITIES**

During the 12 months to 30 June 2020, no funds were transferred to any government entities.

9.7. Bank Accounts

	2019/20	2018/19
<b>CASH AND CASH EQUIVALENT C/FWD</b>		
<b>Banks Accounts</b>		
Local Currency Accounts Kshs account (A/c No.1218639164)	22,636,464	-
<b>Total bank account balances</b>		
Outstanding Advances	-	
Outsatnding imprest	-	
<b>Cash &amp; cash equivalent C/FWD</b>	<b>22,636,464</b>	<b>-</b>

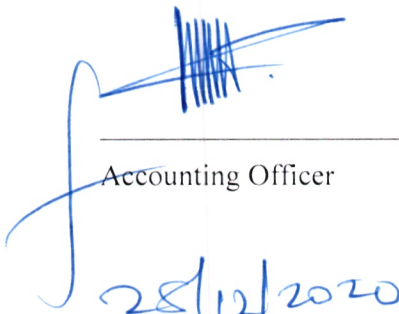
### **9.8 Outstanding imprest**

There were no outstanding imprest as at 30<sup>th</sup> June 2020

## **10. OTHER IMPORTANT DISCLOSURES**

## 11. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATION

There were no unresolved issues raised by the auditors during the previous audits.



Accounting Officer

28/12/2020  
Date



Project Coordinator

28/12/2020  
Date

**ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

	Final Budget	Actual on Comparable Basis	Budget Utilisation Variance	% of Utilisation	Comments on Variance
	A	B	C=a-b	D=c/a %	
<b>RECEIPTS DURING THE YEAR/PERIOD</b>					
Proceeds from domestic and foreign grants	25,669,350	25,669,350	25,669,350	100%	
Miscellaneous receipts	-	-	-		
<b>Total receipts</b>	<b>25,669,350</b>	<b>25,669,350</b>	<b>25,669,350</b>	<b>100%</b>	
<b>PAYMENTS DURING THE YEAR/PERIOD</b>					
Transfer to other government Entities	-	-	-		
Purchase of goods and services	3,032,886	3,032,886	3,032,886	100%	
Acquisition of Assets	-	-	-		
Bank charges	-	-	-		
<b>Total payments</b>	<b>3,032,886</b>	<b>3,032,886</b>	<b>3,032,886</b>		

*Annual Report and Financial Statements for the financial year ended June 30, 2020*

**GCF Readiness and Preparatory Support: “NEMA Capacity Strengthening programme towards accessing climate finance from Green Climate Fund” under United Nations for Projects Services (UNOPS)**

**APPENDICES**

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations

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