

Enhancing Accountability



REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 18 FEB 2021

DAY:
Thursday

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BY:

L. O. M

THE AUDITOR GENERAL *P. Muga*

THE TABLE:

ON

**NORTHERN KENYA CONSERVATION
PROJECT CREDIT NO. CKE 1036 01 H**

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

KENYA WILDLIFE SERVICE





**Northern Kenya Conservation Project (NKCP)
Credit Facility Agreement No CKE 1036 01 H**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and Registered office

Kenya Wildlife Service (KWS) was established by the Wildlife Conservation and Management Act, 1989 (now repealed and replaced by Wildlife Conservation and Management Act, 2013). The overall mandate of KWS is to conserve and manage wildlife in Kenya. Registered office is:

KWS Complex – Lang’ata Road
P.O Box 40241 – 00100
Nairobi

1.2 Principal Information

Project Start Date:	2013
Project End Date:	2018 (currently on No cost extension up to 31.12.2020)
Project Manager:	Leslie Muhati
Project Sponsor:	AFD

1.3 Project overview

The Northern Kenya Conservation Project (Marsabit) was conceived and formulated by the Government of Kenya (GOK) with the overall goal of achieving sustainable use of natural resources while at the same time optimizing ecological service functions, particularly water, grazing and energy provision in an area of northern Kenya that centers on Marsabit forest and its ecological and economic connections. The project was officially declared effective on Tuesday 23rd July 2013 after fulfilling all the conditions of effectiveness for an implementation period of five years (2013-2018). The contracting authority is the Ministry of Finance with Kenya Wildlife Service having the overall responsibility for the implementation and execution of the AfD financed activities while working with other partners including Kenya Forest Service (KFS), relevant NGO's and the local communities. The NRT will have the overall responsibility for the implementation and FFEM financed activities.

The overall goal of the project is to achieve sustainable use of natural resources while at the same time optimizing ecological service functions, particularly water, grazing and energy provision in Marsabit forest and its ecological and economic connections.

1.4 Bankers

Standard Chartered Bank Limited
Lang’ata Branch
P.O. Box 20153-00100
Nairobi, Kenya

Equity Bank
Marsabit Branch
P.O. Box 331 - 60500
Marsabit, Kenya

1.5 Auditors

Auditor General
Anniversary Towers
University Way
P.O. Box 30084-00100
Nairobi, Kenya

1.6 Roles and Responsibilities

Names	Title	Key qualification	Responsibilities
Godwin Muhati	Project Manager	PHD – Climate	Responsible for project

Kenya Wildlife Service
Northern Kenya Conservation Project
Credit Facility Agreement No CKE 1036 01 H
Reports and financial statements
For the year ended June 30, 2020

		change, MSC – Environmental Planning, BSc - Wildlife Management	implementation
John Rerai	Project finance officer	MBA, B.COM, CPA (K)	Responsible for finances/running accounts
Rebecca Kipchumba	Senior project Accountant	MBA,B.COM, CPA(K)	Responsible for Financial Reporting

1.7 Funding summary

The project duration is five years from 2013-2018 with an approved budget of Euro 8,000,000 (Kshs 880,000,000) as highlighted in the table below.

Source of Funds	Donor Commitment		Amount received by 30.06.2020		Undrawn balance by 30.06.2020	
	Euro	Kshs	Euro	Kshs	Euro	Kshs
(i) Loan						
AFD	8,000,000	880,000,000	6,000,000	700,532,800	2,000,000	179,467,200
(ii) Counterpart funds						
Government of Kenya	2,410,000	265,100,000	1,054,545	116,000,000	1,400,000	149,100,000

1.8 Summary of overall project performance

a) The surplus of the actual expenditure over budget of 18% was due to delays in procurement process and ongoing contracted works.

b) Summary of Overall Project Performance

In the table below, the Project Management reports on the progress of the project implementation in FY 2019/2020

PROJECT COMPONENT	Cumulative progress as at 2019/20 financial year	Comments
Policy and legislative framework	<ul style="list-style-type: none"> Support for the development of nationwide wildlife regulations and guidelines under the Wildlife Management and Conservation Act 2013 endorsed by stakeholders on November the 4th 2016. Support for the KWS climate change policy The Marsabit Forest Ecosystems Management plan was gazetted on the 24th of March 2016. Finalisation of a the MFR/NR boundary Survey exercise at the end of the FY 2015/16. The Survey defined the boundaries and set out beacons that define the MFR and the MNR. Effective coordination and collaboration 	Activities completed

	<p>among security done</p> <ul style="list-style-type: none"> • Development of the Marsabit security strategy developed jointly by KWS, KFS, County Government and the Conservancies. • Support for joint security patrols with KWS, KFS, County security team and the Conservancy rangers. 	
<p>Ecosystem conservation</p>	<ul style="list-style-type: none"> • The réhabilitation of the existing 6.7 km Human-wildlife fence. • Construction of a new 11km Human-wildlife barrier. • Rehabilitation of Ranger houses Park Hqs 11 blocks of two bedroomed (22 units). • Rehabilitation of Ranger houses Karare Gate 2 blocks of two bedroomed (4 units). • New Museum and education centre 1 block 90% complète. • Tourism facility (Rehabilitation of 1 No. Stone house), retendered. • Rehabilitation of 1No. Timber house Old houses, retendered. • Construction of 1 No external kitchen ongoing, retendered. • Construction of (caretaker/security) houses 2 No retendered. • Ranger housing in Ngurunit 2 blocks of 2 units each (4 units). • Ranger housing in Laisamis 2 blocks of 2 units each (4 units). • Laisamis Officers house 1No. 2 bedroomed house. • Ranger housing in Marsabit PHQs 5½ Blocks of twin one bedroomed (11 units). • Ranger housing in Songa camp 7 No. blocks of twin bedsitters (14 units). • Officers house in Songa 1No. 2 bedroomed house. • Staff social hall in Songa 1No. Block (new). • Rehabilitation of ranger units at the PHqs 9 No. twin blocks of one bedroomed self-contained (18 units). • Rehabilitation of ranger units at Ahmed 	<p>Total No of new ranger units done (37 units in total)</p> <p>Total No of old ranger units (rehabilitated 48 units)</p> <p>Total No of old ranger units (rehabilitated 11 units)</p> <p>Total KWS units (96 units)</p> <p>Total No of new KFS ranger units done (7 units)</p> <p>New KFS office block done (1 Unit)</p>

	<p>Gate 2 Blocks twin of two bedrooms each (4 units) ongoing.</p> <ul style="list-style-type: none"> • PHQs canteen rehabilitation 1 block (ongoing). • Abdul Gate officers Mess (New) 1 No Unit. • One KFS Office block and 7 ranger housing units and a staff social Hall. • 6 KWS vehicles + 2 KFS vehicles have been procured and well used. • 1 farm tractor KFS. • 1 land cruiser and 3 motorbikes for NRT. <p>KFS Housing and offices (new units)</p> <ul style="list-style-type: none"> • Constructed administration office block (KFS) and modern gate (KFS), and staff mess. • Construction of ranger housing 7 units and 7 pit latrines). <p>Roads construction Rehabilitation of roads (Ahmed -Karare, 22 km) Arjamarko - Chop junction, 9 km), finalised</p>	
	<p>Training All KWS and KFS staff have been trained: 1. Customer care and PR skills course, 2. Driving face to wildlife course, 3. Security management course, 4. Basic investigation and prosecution course, 5. First Aid course, 6. Advanced mechanics course, 7. Executive Secretarial Training, 8. Gis and remote sensing, 9. Senior management course, 10. Strategic Leadership training course, 11. Advanced GIS and image processing training, 12. Project Management, M&E Course, 13. EIA Course, 14. Public Sector Financial Management.</p>	<p>Implementation of the TNA (Training Needs Assessment) report actualized.</p>
	<p>Development of a Database system KWS web-designers have designed a web interface to act as a database for research reports, studies and data produced on the Marsabit Forest.</p>	<p>The database is operational and web-based.</p>
	<p>Research Activities for Baseline Information</p>	<p>Research activities were all actualized.</p>

	<ul style="list-style-type: none"> • Studies carried out based on the Research plan. • Dry and wet season biodiversity assessments (baseline). • Carbon stock assessment (below and above ground). • Land use and land cover change assessment between 1990-2017. • Water quality analysis and mapping of water sources around the forest. • Use of Geoinformation Technology in Assessing Nexus between Ecosystem Changes and Wildlife Distribution : A Case Study of Mt. Marsabit Forest Valuation of non-timber forest products. • In addition to these studies, the Park is collecting different data, related to HWC, Elephant mortality, climatic trend data. • The planned elephant collaring operation (on 10 elephants) was done in 2016 with the support of Save the Elephant. • HWC hotspots identification and mapping, Economic valuation of Mount Marsabit forest ecosystem goods and services. • Land degradation analysis (deforestation, soil erosion). • Modelling climate change to 2100 based on the RCP 4.5 and RCP 8.5 scenarios. • Status of ecosystem service of the Marsabit forest and the impacts of anthropogenic forcing's on their supply. • Governance regimes and their impact on forest management in Marsabit Forest. • Continuous Monitoring of the main taxa based on Baseline survey. • Participatory scenario development in developing a framework for sustainable land use and ecosystem service delivery. • Analysis of the impacts of climate change on Marsabit Forest Ecosystem, • Update the biodiversity assessment on large mammals. 	
Natural resources	Construction of Four community check dams. Kituruni (5,100 cubic meters, Elquarsa 19,662 cubic	3 Dams, i.e. Kituruni (5,100 cubic meters, Elquarsa 19,662

<p>managemen t</p>	<p>meters, Jaldessa, 80,440 cubic meters, Hula Hula 50,556 cubic meters).</p> <p>Reforestation & Woodlots (see attached report)</p> <ul style="list-style-type: none"> • Woodlots establishment in schools (36 schools). • Woodlots establishment in homes (over 78 homes). • Establishment of Community nurseries (12 community nurseries). • Formation of 8FFS for forestry technology transfer and establishing of on-farm woodlots. • Réhabilitation of degraded areas 40 hectares. • Supply of energy-saving jikos for communities (over 5000) for their energy needs. • Development of a Participatory forest management plan for the Saku community forest association. • Formation and registration of the Saku community forest association. • Supply of over 3000 gas cylinders for communities for their energy needs. • Supply of 4000 units of solar lighting for community lighting. <p>Water harvesting Pilot</p> <ul style="list-style-type: none"> • Established shallow dams for 282 farmers in Marsabit forest (harvesting a total of 12,683, 900 litres of water). • Supply of 450 manual money maker pumps for water pumping from the shallow dams. • 200 tanks of 5000 litres supplied to the communities for water harvesting. • Guttering done for over 200 households to harvest rainwater. <p>Bee Keeping Supply of over 5000 beehives for honey production with communities earning revenue from honey production.</p> <p>Grazing management and reseeded pilots</p> <ul style="list-style-type: none"> • Activities related to rangeland management are being implemented in the conservancy essentially entailing grazing management through the grazing 	<p>cubic meters, and Hula Hula 50,556 cubic meters) done. Construction for Jaldessa, 80,440 cubic meters, halted due to security concerns.</p>
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	committees.	
Connectivity	<ul style="list-style-type: none"> • Security assessment and improvement • The continuous patrols have continued to secure a good working relationship between KWS, KFS. • Procurement of security equipment (tents, binoculars, cameras) procured for KFS and KWS operations. 	Continuous
Payments for ecosystems services	<p>Water user's meetings and agreements</p> <ul style="list-style-type: none"> • Development of four sub-catchment management plan for watershed management finalised. 	Done
	<p>Consultancies on carbon revenues</p> <p>Project partnered with Conservation International to develop the REDD+ strategy document that will be the guiding template document for the payment for ecosystem services framework.</p>	Done

c) Value for Money

The project achieved value for money on goods and services through sourcing services competitively i.e. tendering

d) Implementation challenges

The procurement processes took longer than expected.

Way forward

Management reports that the project is fast tracking the procurement process to achieve the targets within the timelines.

1.9 Summary of project compliance

Based on the management assessment, there were no issues of non-compliance during the year under review.

Kenya Wildlife Service
Northern Kenya Conservation Project
Credit Facility Agreement No CKE 1036 01 H
Reports and financial statements
For the year ended June 30, 2020

Report of the Independent Auditor

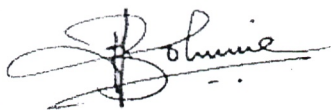
2. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Director General (Accounting Officer) for Kenya Wildlife Service and the Project coordinator for Northern Kenya Conservation project are responsible for preparation and presentation of the project's financial statements, which give the state of affairs of the project as at the end of the financial year ended on June 30, 2020. This responsibility includes: maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the project; designing, implementing and maintaining internal controls relevant to the preparation and presentation of financial statements that are free from material misstatements, whether due to fraud or error; safeguarding the assets of the Project; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Director General for Kenya Wildlife Service and the Project Coordinator for Northern Kenya Conservation Project accept responsibility for the project's financial statements, which have been prepared on the Cash Basis method of Financial Reporting, using appropriate accounting policies in accordance with the International Public Sector Accounting Standards (IPSAS).

The Director General for Kenya Wildlife service and Project Coordinator for Northern Kenya Conservation project are of the opinion that the financial statements have been prepared in accordance with the project financial reporting requirements, and give a fair view of the financial performance for the year ended June 30, 2020. The Director General and the Project Manager further confirm the completeness of the accounting records maintained for the Project which have been relied upon for the preparation of the Financial Statements as well as on the adequacy of the internal financial control.

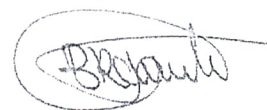
The Director General for Kenya Wildlife Service and the Project Coordinator for Northern Kenya Conservation Project confirm that the Project has complied fully with the applicable Government Regulations and terms of external Financing Covenants, and that the project funds received during the financial period under audit were used for the eligible purposes for which they were intended and were properly accounted for



.....
Director General
Brig (Rtd) John Waweru EBS



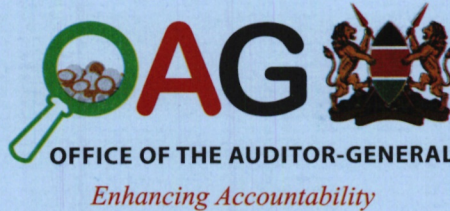
.....
Project coordinator
Leslie Muhati (PHD)



.....
Project Accountant
CPA Rebecca Kipchumba
ICPAK Member No. 5905

REPUBLIC OF KENYA

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Anniversary Towers
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NORTHERN KENYA CONSERVATION PROJECT CREDIT NO. CKE 1036 01 H FOR THE YEAR ENDED 30 JUNE, 2020 – KENYA WILDLIFE SERVICE

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Northern Kenya Conservation Project set out on pages 1 to 10 which comprise of the statement of financial assets as at 30 June, 2020, statement of receipts and payments, statement of cash flow 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 Northern Kenya Conservation Project 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 Financing Agreement No. CKE 1036 01 H between Agence Francaise De Development and the Government of the Republic of Kenya dated 1 August, 2012, and the Public Finance Management Act, 2012.

In addition, the special accounts statement presents fairly the special accounts transactions and the closing balance has been reconciled with the books of account.

Basis of Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Northern Kenya Conservation 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 in the year under review.

Other Matter

Budget Performance and Control

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.317,488,000 and Kshs.32,806,957 respectively resulting to an under-funding of Kshs.284,681,043 or 90% of the budget. Similarly, the Project expended Kshs.56,935,101 against an approved budget of Kshs.317,488,000 resulting to an under-expenditure of Kshs. 260,552,899 or 82% of the budget. Management has attributed the under-funding and under expenditure to failure by the Donor and the Government of Kenya to release funds and the Covid-19 Pandemic which adversely affected the Tourism Sector.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis of Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me

to believe that internal controls, risk management and overall governance were not effective.

Basis of Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit so as to obtain limited assurance as to 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the AFD, except for the matter under other matter, I report based on my audit that: -

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, the Management is responsible for assessing the Project's ability to continue to sustain its service, 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 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 financial reporting process, reviewing the effectiveness of how the Project 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 of Kenya. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In 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 which 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 our 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 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 the Management with a statement that I have complied with relevant ethical requirements regarding independence, and 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

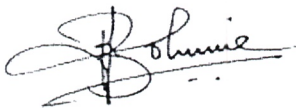
Nairobi

31 December, 2020

3. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PROJECT

	Notes	2020 Kshs	2019 Kshs	Cumulative to date Kshs
Receipts				
AfD	7.5	-	-	700,532,800
Government of Kenya (GoK)	7.3	-	66,000,000	116,000,000
Miscellaneous receipts	7.6	66,957	3,293,508	37,311,410
KWS	7.3	32,740,000	-	32,740,000
Total receipts		32,806,957	69,293,508	886,584,210
Payments				
Policy & Legal Framework	7.7	460,932	3,227,237	26,006,658
Ecosystem Conservation	7.8	17,615,632	108,918,697	461,955,303
Natural Resource Management	7.9	10,478,271	70,282,468	154,814,959
Connectivity	7.10	298,502	906,031	6,418,617
Payment of Ecosystem Services	7.11	1,096,000	3,441,996	12,224,209
Project Implementation	7.12	3,731,535	6,305,074	54,946,004
Monitoring & Evaluation	7.13	-	-	825,552
Counterpart Funding	7.14	23,254,229	61,301,184	169,212,760
Total payments		56,935,101	254,382,687	886,404,062
Surplus/(Deficit) for the year		(24,128,144)	(185,089,179)	180,148

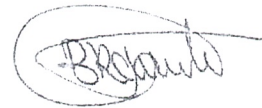
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30th September 2020 and signed by:



Director General
Brig (Rtd) John Waweru, EBS



Project coordinator
Leslie Muhati (PHD)

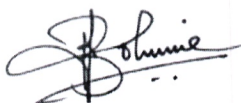


Project Accountant
Rebecca Kipchumba
ICPAK Member No. 5905

4. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES FOR THE PROJECT

	Notes	2020 Kshs	2019 Kshs
Bank balance	7.18	180,079	24,301,951
Cash balances	7.18	69	6,341
Total		180,148	24,308,292
Represented by:			
Cash and cash equivalents brought forward	7.20	24,308,292	209,397,471
Surplus / (deficit) for the year		(24,128,144)	(185,089,179)
Net financial position		180,148	24,308,292

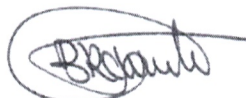
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.....
Director General
Date:



.....
Project Coordinator
Date:

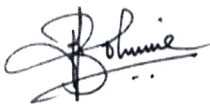


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Project Accountant
Date:
ICPAK Member No. 5905

5. STATEMENT OF CASH FLOW FOR THE YEAR ENDED JUNE 30, 2020

	Notes	Notes	2020 Kshs	2019 Kshs
Receipts from operating income				
GoK receipts		7.3	-	66,000,000
AfD receipts		7.5	-	-
KWS		7.3	32,740,000	-
Payments for operating expenses				
Policy & Legislative framework		7.7	(460,932)	(3,227,237)
Ecosystem Conservation		7.8	(17,615,632)	(108,918,697)
Natural Resource Management		7.9	(10,478,271)	(70,282,468)
Connectivity		7.10	(298,502)	(906,031)
Payment for Ecosystem Services		7.11	(1,096,000)	(3,441,996)
Project Implementation		7.12	(3,731,535)	(6,305,074)
Monitoring and Evaluation		7.13	-	-
Counterpart Expenditure		7.14	(23,254,229)	(61,301,184)
Net cash flow from operating activities			(24,195,101)	(188,382,687)
CASH FLOW FROM INVESTING ACTIVITIES				
Miscellaneous receipts		7.6	66,957	3,293,508
Net cash flow from investing activities			66,957	3,293,508
NET INCREASE IN CASH AND CASHEQUIVALENT			(24,128,144)	(185,089,179)
Cash and cash equivalent at the beginning		7.18	24,308,292	209,397,471
Cash and cash equivalent at the end of the year		7.18	180,148	24,308,292

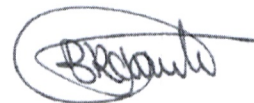
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30th September 2020 and signed by:



.....
Director General
Date:



.....
Project Coordinator
Date:

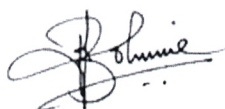


.....
Project Accountant
Date:
ICPAK Member No. 5905

6. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
Receipts						
GOK	82,000,000	-	82,000,000	-	82,000,000	
AFD Grant	235,488,000	-	235,488,000	-	235,488,000	
Other Income	-	-	-	66,957	(66,957)	
KWS	-	-	-	32,740,000	(32,740,000)	
Total Receipts	317,488,000	-	317,488,000	32,806,957	284,681,043	
Payments						
Policy & Leg.	7,900,000	-	7,900,000	460,932	7,439,068	6
Ecosystem con.	156,950,000	-	156,950,000	17,615,632	139,334,368	11
Natural R. Mgt	52,000,000	-	52,000,000	10,478,271	41,521,729	20
Connectivity	300,000	-	300,000	298,502	1,498	99
Ecosystem	7,700,000	-	7,700,000	1,096,000	6,604,000	14
Project imp.	5,538,000	-	5,538,000	3,731,535	1,806,465	67
Monitoring & E	5,100,000	-	5,100,000	-	5,100,000	0
Counterpart Fun.	82,000,000	-	82,000,000	23,254,229	58,745,771p	
28						
Total payments	317,488,000		317,488,000	56,935,101	260,552,899	

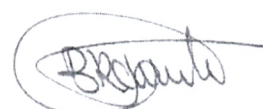
Note: The significant budget utilization/performance differences in the last column are explained in Annex 1 to these financial statements.



Director General
Date:



Project coordinator
Date:



Project Accountant
Date:
ICPAK Member No. 5905

7. NOTES TO THE FINANCIAL STATEMENTS

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

7.1 Basis of Preparation

7.1.1 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 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 Public Sector Accounting Standards Board (PSASB).

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

7.1.2 Reporting entity

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

7.1.3 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.

7.2 Significant Accounting Policies

a) Recognition of receipts

The project recognizes all receipts from the various sources when the event occurs and the related cash has actually been received by the service.

Receipts are funds from AFD, Government of Kenya (GOK) and interest income into the project bank account. Receipts are recognised when transferred into the project bank account. Interest income is recognised once credited onto the bank account by the bank.

- **Transfer from the Exchequer**
Transfer from exchequer is recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity
- **External Assistance**
External assistance is received through grants and loans from multilateral and bilateral development partners

Donations and grants

There were no donations and grants during the audit period.

Proceeds from borrowing

There were no proceeds from borrowings during the year

Undrawn external assistance

There was no undrawn external assistance during the year

- **Other receipts**
There were no other receipts during the year

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

- **Compensation to employees**

Salaries and wages, allowances, statutory contribution for employees are as per note 8.12 and 8.14

- **Use of goods and services**

Payment for goods and services are reported as per note 8.7 to 8.14

- **Interest on borrowing**

There were no borrowings during the year

- **Repayment of borrowing**

There are no borrowings in the year project hence there are no repayments

- **Acquisition of fixed assets**

Fixed assets acquired during the year are reported as note 8.8

c) In kind donations

There were no donations in kind during the year

d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank and short term deposits on call

e) Accounts receivable

These are imprests advanced to authorised public officers which were not surrendered

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 past years.

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 for the same period as for the financial statements. The project budget was approved as required by law and treasury regulations as detailed in the Government of Kenya Budget Printed Estimates.

A high level assessment of the project's actual performance against the comparable budget for the financial year under review has been included in an annex 1 to these financial statements.

h) Third party payments

There were no third party payments during the year

i) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the project operates, Kenya Shillings (Kshs).

j) Comparative figures

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

k) 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 30 June 2019.

There were no prior year errors corrected.

i) Errors

There were no material prior period errors

7.3 Receipts from Government of Kenya

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

	2020	2019	Cumulative to date
	Kshs	Kshs	Kshs
GoK funds	-	66,000,000	116,000,000
KWS	32,740,000	-	32,740,000
Total	32,740,000	66,000,000	148,740,000

KWS pre-financed the project through the project bank account kshs. 32,740,000 following approval from the donor (AFD) for the arrangement. See Annex 2A

7.4 Proceeds from Domestic and Foreign grants

During the 12 Months to June 30, 2020, there were no domestic and foreign grants received from the donors relating to the project.

7.5 Loan from external development partners

During the 12 Months to June 30, 2020, there was No loan received from external development partners.

7.6 Miscellaneous receipts

This related to the interest income earned on the bank balances.

	2020	2019	Cumulative to date
	Kshs	Kshs	Kshs
Interest income	66,957	3,284,580	37,311,410
Other receipts	-	8,928	
Total	66,957	3,293,508	37,311,410

7.7 Policy and legislative framework

Sub component	FY 2019/2020	FY 2018/2019
Marsabit N. Park mngt plan	-	-
Water allocation & distribution plan	-	1,590,630
Climate Change	460,932	1,636,607
Total	460,932	3,227,237

7.8 Ecosystem conservation

Sub component	FY 2019/2020	FY 2018/2019
Fence (national reserve)	2,537,455	1,786,656

Training	449,175	3,363,052
Water- Borehole rehabilitation	1,507,759	-
Knowledge repository	2,457,100	4,190,623
Research funds		
Purchase of Motor Vehicles		-
Research equipment	-	327,400
Construction of buildings (KFS)	-	453,130
Construction of buildings (KWS)	10,664,143	26,054,397
Renovation of buildings		-
Roads and Roads consultancy	-	72,743,439
Landscaping	*	-
Total	17,615,632	108,918,697

7.9 Natural resource Management

Sub component	FY 2019/2020	FY 2018/2020
Reforestation & Woodlot	-	24,756,534
Pilot harvesting water	-	5,431,295
Bee Keeping	10,478,271	8,498,821
Grazing Mngt & reseeding pilots	-	4,670,719
Purchase of Motor Vehicles	-	-
Hydrological structures	-	26,925,099
Total	10,478,271	70,282,468

7.10 Connectivity

Sub component	FY 2019/2020	FY 2018/2019
Security assessment & improvement	298,502	906,031

7.11 Payment of ecosystem services

Sub component	FY 2019/2020	FY 2018/2019
Conservancy framework support	-	636,996
Water users meetings and agreement	1,096,000	2,805,000
Total	1,096,000	3,441,996

7.12 Project Implementation

Sub component	FY 2019/2020	FY 2018/2019
Taxes and backstopping	-	-
PIU Consumables		1,181,120
PIU Utilities, recurrent cost and PSC meetings	3,731,535	3,539,954
PIU Salaries	-	1,584,000
Total	3,731,535	6,305,074

7.13 Monitoring and Evaluation

	FY 2019/2020	2018/2019
Mid-term review	-	-

7.14 Counterpart funding

Sub component	FY 2019/2020	FY 2018/2019
Taxes	23,254,229	11,762,563
Recurrent cost and backstopping		45,838,861
PSC meeting and Donor Mission	-	-
Salaries	-	3,699,760

Total	23,254,229	61,301,184
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7.15 Social Security Benefits

There were no social security benefits paid from the project during the year.

7.16 Transfers to other government entities

During the 12 months to June 30, 2020, there was no transfer of funds to reporting government entities.

7.17 Other grants and transfers and payments

During the 12 months to June 30, 2020, there were no other grants and transfers and payments

7.18 Cash and cash equivalents carried forward

	2020 Kshs	2019 Kshs
Bank accounts	180,079	24,301,951
Cash in hand	69	6,341
Field outstanding imprest	-	-
Total	180,148	24,308,292
Standard Chartered Bank balances	130,759	22,580,861.6
Equity bank balances	49,320	1,721,089.0
Total	180,079	24,301,951

7.19 Outstanding imprests and advances

During the 12 months to June 30, 2020, there were no outstanding imprests and advances.

7.20 Fund balance as at 30th June.

	2020	2019
Opening Balance	24,308,292	209,397,471
Surplus (deficit) for the year	<u>(24,128,144)</u>	<u>(185,089,179)</u>
Closing Balance	<u>180,148</u>	<u>24,308,292</u>

7.21 Summary of Assets bought during the period ended June 30, 2020

During the 12 Months to June 30, 2020 assets of kshs. 1,838,200 were bought which have been listed in ANNEX 3

7.22 Prior year adjustment

During the 12 months to June 30, 2020, there were no prior year adjustments.

8.0 Other Important disclosures

8.1 Pending accounts payable (Annex 2A)

During the 12 months to June 30, 2020, there were no pending bills. However there was pre-financing by KWS following approval of AFD for the arrangement in line with clause 3.4 sub-clause 3.4.1 of the financing agreement. This was necessitated by pressure from contractors to be paid and also in order for the project activities not to stall. This is listed in annex 2 and NO objection letter from AFD in annex 4

8.2 Pending staff payable

During the 12 months to June 30, 2020, there were no staff accounts payable.

8.3 Other Pending payables

During the 12 months to June 30, 2020, there were other pending bills.

9. PROGRESS ON FOLLOW UP OF AUDITOR'S RECOMMENDATIONS

The following is a summary of the issue raised by the external auditor under other matters, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Budget control and performance	There was a pending approval from the National treasury for KWS to receive the last tranche of funds.	H-Finance	National treasury has given approval for the receipt of the funds from the donor as per its letter dated 26.08.2020	December 2020

ANNEX 1: EXPLANATION FOR BUDGET VARIANCES

1. Receipts

The revenue budget amount is the GOK amount for FY 2019/2020 and the last tranche expected from AFD. However, these amounts were not received from GOK and AFD. The AFD one was awaiting approval from the national treasury.

2. Payments

COMPONENT	BUDGET	ACTUAL	VARIANCE	EXPLANATION
Policy & legislative framework	7,900,000	460,932	7,439,068	Procurement of tourism facility furniture was pegged on completion of tourism facility whose work is in progress. Climate change plan is still work in progress having being impacted by the Corona virus pandemic. Scheduled for completion in December 2020.
Ecosystem conservation	156,950,000	17,615,632	138,471,218	There was a delay in the disbursement of funds for the third tranche by AFD which delayed payment of works. All outstanding payments to be effected in the 2020-2021 FY.
Natural resource management	52,000,000	10,478,271	42,384,879	Three of the four proposed check dams were completed and launched in the current FY. The fourth and the biggest dam 'Jaldesa' faced some hitches due inter-ethnic conflict and thus couldn't be done. There was a delay in the disbursement of funds for the third tranche by AFD which delayed payment of works. All outstanding payments to be effected in the 2020-2021 FY
Payment of ecosystem services	7,700,000	1,096,000	6,604,000	The tourism marketing strategy consultancy contract is ongoing but affected by the Corona virus pandemic payments to be finalised by December 2020.

ANNEX 2A: SCHEDULE OF PAYMENTS PRE-FINANCED BY KWS

DATE	Description	REF:	NET AMOUNT	Taxes	TOTAL
27.09.2019	ELADI CINSTRUCTION LTD	C99064	47,417,677.00	4,399,580.00	51,817,257.00
05.11.2019	GALLAGHER POWER F. SYS. LTD	C100850	26,744,278.20	1,466,511.00	28,210,789.20
11.06.2019	TIPSY WOOD PRESERVATION LTD	C104705	4,856,527.00	85,638.00	4,942,165.00
05.12.2019	HASAAL INVESTMENT LTD	C104827	2,987,991.35	71,838.00	3,059,829.35
30.01.2020	PRICE WATERHOUSE COOPERS	C105442	2,066,204.00	37,912.00	2,104,116.00
17.01.2020	EL ADI CONSTRUCTION LTD	C104080	9,359,504.00	-	9,359,504.00
23.12.2019	AL HUSAIN INVESTMENTS LTD	C105895	7,540,373.20	260,269.35	7,800,642.55
22.01.2020	MAX AND PARTNERS LTD	C104906	11,123,450.00	714,350.00	11,837,800.00
15.11.2019	ELADI CINSTRUCTION LTD	C101527/28	5,628,893.50	-	5,628,893.50
25.10.2019	HASAAL INVESTMENT LTD	C100324	4,011,751.50	-	4,011,751.50
04.02.2020	FAMO INVESTMENT LTD	C106050	22,581,681.30	1,117,905.00	23,699,586.30
30.09.2019	KWS NORTHERN KENYA PROJECT	C99069	8,300,000.00		8,300,000.00
19.03.2020	KWS NORTHERN KENYA PROJECT	C106992	8,400,000.00		8,400,000.00
14.04.2020	JOMUMU BUILD. & GEN. REN. LTD	C107919	9,537,842.75	326,784.00	9,864,626.75
11.11.2019	KWS NORTHERN KENYA PROJECT	C101174	4,200,000.00		4,200,000.00
18.11.2019	KWS NORTHERN KENYA PROJECT	C101530	4,000,000.00		4,000,000.00
27.11.2019	KWS NORTHERN KENYA PROJECT	C102043	7,840,000.00		7,840,000.00
		TOTAL	189,596,173.80	8,480,787.35	195,076,961.15

NB: KWS pre-financed the project an amount of kshs. 195,076,961. Included in this amount KWS funded the project field account kshs. 32,740,000 to facilitate project activities.

ANNEX 3: DETAILED LIST OF ASSETS BOUGHT FY 2019/2020

	Payee	Date	Reference	Supplier	Numbers	Amount
1	Laptops	20.11.2019	C000769	Text Book Centre	3	500,100
2	Desktop with Printer	17.04.2019	C000803	Text Book Centre	3	546,000
3	Laptop	20.11.2019	C000781	Text Book Centre	1	127,500
4	Power saw	20.01.2020	C000778	Husky Outdoor	1	78,000
5	Mobile Phones	24.04.2020	C000806	I Salute World	3	586,600
					TOTAL	1,838,200

Kenya Wildlife Service
Northern Kenya Conservation Project
Credit Facility Agreement No CKE 1036 01H
Reports and financial statements
For the year ended June 30,2020

ANNEX 4: NO Objection letter from AFD



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