



REPUBLIC OF KENYA



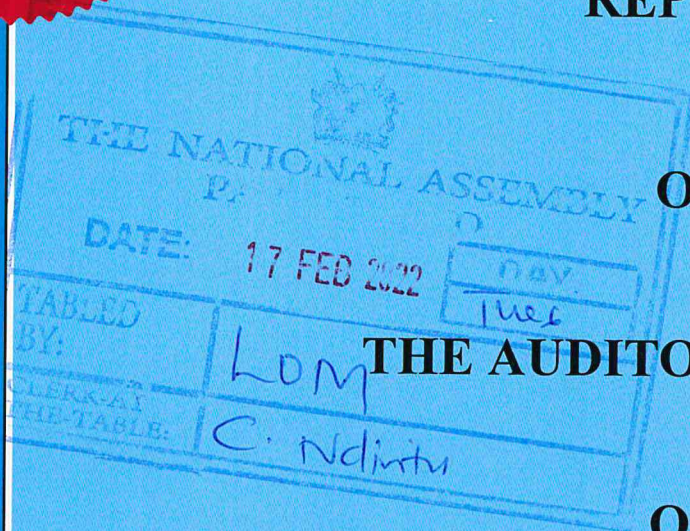
OAG



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT



OF

THE AUDITOR-GENERAL

ON

**INTEGRATED PROGRAMME TO BUILD
RESILIENCE TO CLIMATE CHANGE AND
ADAPTIVE CAPACITY OF VULNERABLE
COMMUNITIES IN KENYA**

**FOR THE YEAR ENDED
30 JUNE, 2021**

**NATIONAL ENVIRONMENT MANAGEMENT
AUTHORITY**



**Programme Name: Integrated Programme to Build Resilience to Climate Change & Adaptive Capacity of
Vulnerable Communities in Kenya**

Implementing Entity: National Environment Management Authority

PROJECT GRANT/CREDIT NUMBER: KEN/NIE/Multi/2013/1

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2021

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

**Integrated Programme to Build Resilience to Climate Change & Adaptive Capacity of
Vulnerable Communities in Kenya**
Reports and Financial Statements
For the financial year ended June 30, 2021

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: Integrated Programme to Build Resilience to Climate Change & Adaptive Capacity of Vulnerable Communities in Kenya

Objective: The overall objective of the programme is to enhance resilience and adaptive capacity to climate change for selected communities in various Counties in Kenya in order to increase food security and environmental management.

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

Tel.0724-253-398

The project also has 3 Executing Entities (EEs) and 8 Sub-Executing Entities (Sub-EEs) as follows:

EES

1. The Managing Director

Kenya Forest Research Institute (KEFRI)

P.O. Box 20412 00200

NAIROBI

director@kefri.org

Dr. James Ndufa

Tel. 0722983238

2. The Managing Director

Tana and Athi Rivers Development Authority

P.O. Box 47309 -00100

NAIROBI

Info@tarda.co.ke

Mr. Samuel Gitonga

Tel. 0721166686

3. The Managing Director

Coast Development Authority

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Mama Ngina drive

P.O.Box 1322 -80100

MOMBASA

cda@cda.go.ke

Ms. Mwanasiti Bendera

Tel. 0724793887

Sub-EEs

1. Kenya Red-Cross
Mr. Elijah Muli
Tel. 0721428841
2. VIRED International (Kisumu)
Prof. Philip Raburu
Tel. 0717631789
3. HornAid Kenya (Garissa & Wajir)
MR. Abbas Hajir
Tel. 0701691818
0704380300
4. Nasaru Women group
Ms. Juliana Rono
Tel. 0720805235
5. CARITAS Nyeri
Mr. James K. Kagiri
Tel. 0720422250
6. ADRA Kenya (Kitui)
MS. Stella Wanjau
Tel. 0722808488
7. Kenyatta University
Mary Baaru
Tel. 0722267824

Contacts: The following are the project contacts

Director General

National Environment Management Authority

Po Box 67839 00200

Email; dgnema@nema.go.ke

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Tel.0724-253-398

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Wangare Kirumba,

Programme coordinator

E-mail: wkirumba@nema.go.ke

Telephone: (254) 712815514

Website: www.nema.go.ke

1.2 Project Information

Project Start Date:	The project official start date is 01 05 2016
Project End Date:	The project end date was 30. 04. 2019, however NEMA sought for a no cost extension that was granted by Adaptation Fund Board. Therefore, project was extended to 30 th June 2020. Due to the COVID 19, No cost extension has been granted to 31-12-2021
Project Coordinator:	The project manager is Wangare Kirumba
Project Sponsor:	The project sponsor is The Adaptation Fund Board

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Environment and Forestry (MEF)
Project number	KEN/NIE/Multi/2013/1

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Strategic goals of the project	<p>The strategic goals of the Programme are as follows:</p> <ul style="list-style-type: none"> i) To enhance Climate resilient agricultural, agro-forestry, pastoral and agro-pastoral production systems to improve food security in selected Counties in Kenya ii) To improve climate resilient water management systems to enhance food security in selected Counties in Kenya
	<ul style="list-style-type: none"> iii) To increase resilience to the effects of rise in sea level and shoreline changes through Integrated Shoreline and Mangrove Ecosystem Management at Vanga and Gazi in the Coastal region of Kenya iv) To reduce disaster risk among targeted vulnerable communities for climate related risks in Kenya v) To strengthen institutional capacity, knowledge management, awareness raising and promotion of adaptation mechanisms in improving resilience on climate change to selected vulnerable communities in Kenya.
Achievement of strategic goals	<p>Since inception, the Programme has achieved the following:</p> <ul style="list-style-type: none"> • Approximately 2,000 farmers have been supported to adopt drought tolerant and fruit crops to improve food security and enhance resilience of communities to climate change; • 11,423 kg of Drought Tolerant Crop species distributed to farmer communities that included green grams, amaranth us, maize, beans, pigeon peas, cow peas crops and dolichos • 22,000 grafted mango seedlings have been distributed and planted. With a 70% success rate • 15,300 tree seedlings of various species planted to rehabilitate water catchments areas (11,800 planted in Entarara forest and its environs in Kajiado County)
	<ul style="list-style-type: none"> • 12 water pans of an average capacity of an average 15.000 cubic meters each have been established namely; Imbirikani, Kuku, Kimana, Lenkinsim and Entonent, in Kajiado South, Kajiado County; Boji Yare, Daad Bulle and Alan Godere in Wajir and Garrisa

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	<p>County;</p> <p>Midoina Water pan In Kilifi County,</p> <p>Machanga Earth Pan in Embu County</p> <p>Dak Ongolo and Kupuon Water pan in Kisumu County</p> <ul style="list-style-type: none"> • 17 boreholes drilled, equipped and solarised in Kisumu (1), Homabay (4) Wajir (4), Garrisa (2), Machakos (1), Kajiado (4) and Laikipia (1) counties. • Rombo water pans in 40% and is located in Kajiado County • 30 drip kits distributed and installed in Kajiado West among the women groups • Solarization of the boreholes has been undertaken in the Walda and Masinga farm and irrigation scheme respectively to run the farm operations. • Masinga smallholder Irrigation scheme is complete and operational serving 80 household organised as Masinga Irrigation Water users • A Thome small holder Irrigation scheme in Laikipia County complete • 170,000 mangrove seedlings have been planted in Kwale in Vanga and Gazi areas and the planting exercise is still ongoing. • Coral reef rehabilitation and sea grass restoration is ongoing and there have been 27 natural transfers of corals and 173 artificial transfers of corals. • A Coral reef and Sea grass Habitat Mapping report is available • Contractor onsite in Jimbo and Mawembe in Kwale county undertaking soil accretion control and shoreline stabilization respectively. • Contractor onsite undertaking Construction of Water Harvesting Structures in 5 schools in Coast Region – Kwale and Taita Taveta counties • The National Coral Reef Restoration Protocol had been developed in both Swahili and English Versions to show how communities could undertake the coral reef restoration that is under implementation in the Wasini Conservation Area • 60 Km of Canals in Kakol and Kupuon areas have been desilted and opened in Nyando river basin helping easing the flooding in Kisumu County • Training to EEs and sub-EEs on Finance, Procurement, Audit processes have been undertaken
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	<ul style="list-style-type: none"> • Trainings to project beneficiaries on water management, farming techniques, drought tolerant crops management and drip kits management have been carried out • Sites identified in Kitui county and Kwale county for construction of the Adaptation villages for ADRA and CDA areas respectively.
Other important background	NEMA was accredited to be the Kenya's National Implementing Entity (NIE) for the Adaptation Fund (AF) in 2012 after being nominated by the PS, Ministry of
information of the project	<p>Environment and Natural Resource who is the National Designated Authority to AF. Adaptation Fund is established under Kyoto protocol, which Kenya is a party member state, to fund concrete adaptation interventions in developing countries. The role of NEMA as an NIE is to be the fund's manager for funded adaptation programmes/projects. The NIE is supposed to receive money from AF and oversee execution of the project by the Programme Executing Entities.</p> <p>NEMA received its reaccreditation as an NIE in May 2019 that is valid till year 2024</p>
Current situation that the project was formed to intervene	<p>The project was formed to intervene in the following areas:</p> <ol style="list-style-type: none"> 1. Climate change is increasing the vulnerability of communities in the program areas to food insecurity and their ability to cope. There is need to adapt agriculture to the changing climate. 2. Climate change is worsening the already water insecurity in arid and semi-arid areas with consequences on access to water for irrigation, livestock and domestic use. To reduce vulnerability and enhance community resilience, there is need to invest in water harvesting and storage capacity 3. Kenya's coastal and marine ecosystems are a rich repository of resources (fisheries, coastal forests, mangrove forests, seagrass beds, coral reefs, river basins, deltas and estuaries, beaches and sand dunes as well as natural and cultural heritage sites). However, these resources are threatened by climate change among other threats. 4. The level preparedness for climate related risks such as floods and droughts in the program areas is weak. In particular, perennial floods have ravaged most

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	<p>parts of lower Nyando catchment causing loss of lives and livelihoods.</p> <p>5. Climate change information, best practices, technologies and success stories are not always shared effectively among stakeholders to catalyze climate change response.</p>
Project duration	The project started on 1 st May 2016 and is expected to run until 31 st December 2021

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PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.4 Bankers

The following are the bankers for the current year:

Kenya Commercial Bank Ltd (KCB)

1. Bank Details: Account Name; NEMA Adaptation Fund USD Account

Account No. 1165595192

Kenya Commercial Bank Ltd (KCB)

Gateway House Branch

P.O. Box 27618-00506, Nairobi

2. Bank Details: Account Name; NEMA Adaptation Fund Kshs Account

Account No. 1218639164

Kenya Commercial Bank Ltd (KCB)

Gateway House Branch

P.O. Box 27618-00506, Nairobi

1.5 Auditors

The project is audited by:

Auditor General

Office of Auditor General

P.O. Box 30084-00100

Nairobi,

Kenya

1.6 Roles and Responsibilities

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

Names	Title designation	Key qualification	Responsibilities
Mamo B Mamo	Director General	Doctor of Philosophy	Overall programme direction and leadership
Mr. Kennedy Ochuka	Director Corporate	Doctor of Philosophy	Overall programme

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

1.7 Funding Summary

The Project is for duration of 3 years from May 2016 to April 2019 with an approved budget of USD **9,998,302** equivalent to Kshs 1 Billion. NEMA sought for a no cost extension that was granted by Adaptation Fund Board. Therefore, project was extended to 30th June 2020. Due to the COVID 19, No cost extension has been granted to 31-12-2021. NEMA received the first tranche of USD 4,956,893 Kshs 488,944,727 equivalent in December 2014. The second tranche of USD 3,954,163, Kshs 399,783,277 was received in October 2018 while the last tranche of the programme budget of USD 1,087,220 Kshs 117, 759,951 was received on 18th August 2020.

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PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

Below is the funding summary:

A. Sources of Funds

Source of funds	Donor Commitment-		Amount received to date – 30/6/2021		Undrawn balance to date	
	Donor currency USD (A)	Kshs (A')	Donor currency USD (B)	Kshs (B')	Donor currency (A)-(B)	Kshs (A')-(B')
(i) Grant						
Adaptation Fund	9,998,302	1,000,000,000	9,998,276	1,006,487,955	NIL	NIL
Board						
Total	9,998,302	1,000,000,000	9,998,276	1,006,487,955	NIL	NIL

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2021)		Cumulative Amount paid to date – (30 th June 2021)		Unutilised balance to date (30 th June 2021)	
	Donor currency USD (A)	Kshs (A')	Donor currency USD (B)	Kshs (B')	Donor currency USD (A)-(B)	Kshs (A')-(B')
(i) Grant						
Adaptation Fund Board	9,998,276	1,006,487,955		594,816,541	4,208,746	453,897,204

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Application of funds	Amount received to date – (30 th June 2021)		Cumulative paid to date – (30 th June 2021)	Unutilised balance to date (30 th June 2021)	
	Donor currency USD	Kshs		Donor currency USD	Kshs
	(A)	(A')	(B')	(A)-(B)	(A')-(B')
Total	9,998,276	1,006,487,955	594,816,541	4,208,746	453,897,204

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PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.8 Summary of Overall Project Performance:

NEMA has received a total of USD 9,998,276 Kshs equivalent 1,006,487,955, being the programme's total budget. Consequently, NEMA has disbursed a total of Kshs 409,760,975 to the executing entities as at 30th June 2021, for the implementation of the projects in their respective counties. NEMA has cumulatively spent Kshs 72,744,759 for general administration in overseeing the project implementation and operationalization of the remodelled Program, Adaptation village model. Out of these expenditure, Kshs 12,741,093 was spent from 9.5% execution fee of the execution entities budget on the procurement processes since this involved the participation of the executing entities. Therefore, NEMA has cumulatively spent Kshs 594,816,541 as at 30th June 2021 while Kshs 48,183,622 remains unabsorbed within the Executing and Sub executing entities as at 30 June 2021 representing an absorption rate of 54%. Some of the key deliverables/achievements of the project on the ground per Entity are as tabulated below:

No.	Entity	Implementation Status
1	ADRA	<ul style="list-style-type: none"> 37 Trainers of Trainers (TOT) have been selected and trained 37 demonstration plots 1,875 Kgs of drought tolerant food crops have been distributed (green grams with below 20% success rate) 22,000 grafted mango seedlings have been distributed and planted. There was 70% success rate Two sites namely Kamanyi and Nyanyaa identified for the construction of Adaptation Villages (Sump wells)
2	CARITAS	<ul style="list-style-type: none"> Thome smallholder irrigation project is completion Distribution of 1400 tree seedlings to 35 households Establishment of 1 adaptation village in Lechugu Secondary School
3	CDA	<ul style="list-style-type: none"> Contractor onsite in Jimbo and Mawembe in Kwale county undertaking soil accretion control and shoreline stabilization respectively Contractor onsite undertaking Construction of Water Harvesting Structures in 5 schools in Coast Region – Kwale and Taita Taveta counties namely Rose Makwere secondary, Makwenyeni Secondary, Karimboni Primary, Bandari secondary and Kajire Girls A 12,000 Cubic Meter water pan at Midoina in Kilifi Sub-County complete

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		<p>and in use.</p> <ul style="list-style-type: none"> 170,000 Mangrove seedlings have been procured and planted for rehabilitation of Mangrove forests in Kwale County. Coral reef rehabilitation and sea grass restoration is ongoing and there have been 27 natural transfers of corals and 173 artificial transfers of corals. A Coral reef and Sea grass Habitat Mapping report is available The National Coral Reef Restoration Protocol had been developed in both Swahili and English Versions to show how communities could undertake the coral reef restoration that is under implementation in the Wasini Conservation Area Assessment of impacts of sea walls complete. A website for the project is in place (http://www.kccap.co.ke)
4	HAK	<ul style="list-style-type: none"> Construction of 3 No. Water pans; 2. in Wajir, and 1 in Carissa of average capacity of 20,000 cubic metres capacity are complete namely; Boji Yare, Daad Bulle and Alan Godere respectively. 6 adaptation villages established in Wajir and Garissa Counties
5	KEFRI	<ul style="list-style-type: none"> Construction of 5 No. Water Pans is at complete namely Imbirikani, Kuku, Kimana, Lenkinsim and Entonent, Construction of Rombo Water Pans is at 40% completion . 5320kgs of Drought Tolerant Crops varieties distributed to 15 farmers groups 15 demo plots identified and established 1700 seedlings of 6 varieties of mangoes distributed and planted 1700 seedlings of 4 varieties of citrus distributed and planted 13,900 tree seedlings of various species planted to rehabilitate watering points and along rivers.
6	KRC	<ul style="list-style-type: none"> 64 Acres of land ploughed and planted with various vegetables. To operationalise Walda farm Boreholes solarised 1000 fruit trees planted Project currently stalled
7	KU	<ul style="list-style-type: none"> Baseline study for cropping system completed.

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		<ul style="list-style-type: none"> 1 Adaptation villages established in Machakos County in Vota Primary school
8	NASARU	<ul style="list-style-type: none"> 800kgs of Amaranthus and 3428kgs of sorghum distributed to various women groups Trainings on Drought Tolerant crops management and on drip kits installation and management done 4 Adaptation villages established in Kajiado County in Mosiro, Oletepesi, Olekejuodo and Mashuruu
9	TARDA	<ul style="list-style-type: none"> 3 check dams complete – Machanga, Wanduli and Gakina Intake work complete at Muranga, Ajibika Project in Gatere forest. Smallholder irrigation infrastructure project at Masinga is complete and operational. EIAs, BoQs and designs for construction of a milk cooling plant, fish cooling plant, fruit processing plant completed. Construction yet to commence
10	VIRED	<ul style="list-style-type: none"> 2 water pans completed using voucher for work namely Dak Ongolo and Kupuon of average capacity of 4500 cubic meters. 60 Km of blocked drainage channels opened in 3 sub counties using voucher for work 10,000 bamboo cuttings established Procurement process for construction of dykes and evacuation centres initiated and contracting process ongoing 1 adaptation village established in Kisumu County Procurement process for a contractor for the establishment of the adaptation villages ongoing
11	WVK	Entity pulled out of the program, NEMA through a board resolution, is initializing the program and planned program activities shall be directly implemented by the Authority through the existing regional and county offices.
		<ul style="list-style-type: none"> 4 Adaptation villages established in Homabay county in ; St. Nicansius Maranyona, Malele Primary school, Langi Dispensary and Kanyangasi Dispensary. Civil works for the fish cooling plant initiated, contractor on site Field implementation committee in Homabay county established to

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		oversee the project implementation
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The programme is in its fifth year of implementation. NEMA has received all the projects's budget funds. Initially, the programme was unable to spend the funds due to persistent procurement challenges on the Sub executing entities. Some executing entities are Non-Governmental Organizations and are not able to adopt the Government procurement procedures. The matter has since been resolved.

NEMA has since submitted the second Project Performance Report (PPR) and has received the last tranche.

Towards improving the implementation of the A.F program and as a response to lessons learnt; NEMA in consultation with the Executing entities initiated a remodelled programme design for the ongoing programme towards achieving the following;

- A shift of water harvesting technology from water pans to boreholes, for better longer-term benefits, as applicable. Some proposed technologies in the programme (like small capacity water pans) were viewed as not suitable in the face of extended droughts.
- The proposed training/capacity building elements, to be under taken in where adaptation assets have been established, such that where a water structure is constructed, the demonstration sites are also located and trainings can take place there, using the farmer field concept hence presenting the communities with a longer-term benefit.

The concept of an Adaptation village is the core of the remodelled design and the following facilities were identified as the main structures of the proposed Adaptation villages;

1. Water point -Solarized borehole
2. Water storage facility - Raised steel tanks
3. Fenced area of around about 2-acre space – Chain link fence, concrete posts and a gate
4. Basic village hall- that employs the concept of green architecture
5. Sanitation facilities

NEMA is undertaking all procurement for the programme with exception of the CDA's Component 3 activities of mangrove rehabilitation and coral reef restoration. The activities model of execution is through organized community and there exists valid M.o.Us between the Authority and the community members.

1.9 Summary of Project Compliance:

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

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2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

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

Project	Objective	Outcome	Indicator	Performance
Adaptation fund project –	1.Enhancing Climate Change Resilience to	Increased Resilience to	• No. of Established appropriate physical	• 12 water pans of an average capacity of an
“Integrated Programme to Build Resilience to Climate Change & Adaptive Capacity of Vulnerable Communities in Kenya”	resilience for improved food security in selected Counties 2.Establishing Climate Change resilient water management systems to enhance food security in selected Counties 3.Increase Climate Change resilience to the effects of sea level rise and shoreline changes through Integrated Shoreline and Mangrove Ecosystem Management (ISMEM) in Kenyan coastal zone 4.Disaster risk	Climate Change & Adaptive Capacity of Vulnerable Communities in Kenya	assets and infrastructure for water harvesting, storage and irrigation • No. of mangrove seedlings planted • Km. of coral reef restored • No of evacuation centres established • No. of alternative livelihood established • No. flood control structures • No. of appropriate and efficient irrigation methods • No. of structures established under Integrated Shoreline and Mangrove Ecosystem	average 15.000 cubic meters each have been established • 20 boreholes drilled, 17 with successful water yields and 3 dry boreholes • Construction of roof harvesting structures in 5 schools in Coast region ongoing • 170,000 mangrove seedlings planted • 2 community conservation areas for coral reef rehabilitation identified and restoration activities ongoing • 2 sites for evacuation centre construction identified and procurement process

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	reduction and increasing preparedness among vulnerable communities 5.Strengthening capacity and knowledge management on climate change adaptation		Management (ISMEM) plan	ongoing (contracting stage) <ul style="list-style-type: none"> • Construction of Fish cooling facility ongoing • Dyke / flood control structures construction ongoing • Construction of 4 evacuation centers ongoing • Thome small holder irrigation scheme in Laikipia county complete • Masinga Small holder irrigation scheme complete • Construction works for shoreline stabilization ongoing in Jimbo areas in Kwale county • Construction works soil accretion control complete in Mwaembe area in Kilifi county
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Project Output	Project Indicator	Expected outcome	Project Progress to date
Output 1.1 Increased adoption of drought tolerant food crops and high value crops	1.1.1 No. of individuals adopting drought 1.1.2 No. and types of value chain approaches	1260 households adopting drought tolerant food crops and high value crops	(a) 11,758 Kgs of Drought Tolerant Crops (DTC) seeds (sorghum, cow peas, amaranth us etc.) procured and supplied to approximately 883 households for planting. (b) 52 Demo sites on DTC established in various project sites. 670 ToT on DTC conducted.
			(c) Completed the design and consultation on the establishment of adaptation villages as centres for capacity building and demonstration on drought tolerant food crops and high value crops d) Adaptation villages have been procured and are currently under construction
Output 1.2 Diversified alternative livelihood sources	1.2.2 No. of individuals adopting alternative	Promote alternative livelihood sources: Fruit farming and processing, Install fish and milk cooling facilities	(a) In Loitokitok, a total of 3,400 grafted fruit seedlings(mangoes, and citrus) were procured and distributed to selected groups within 4 wards. (b) In Kitui, 10,192 grafted mango seedlings (approximately 100 households) have been planted with a success rate of 70%, and 74 ToTs and 220 famers trained on mango agronomic practices. (c) Completed consultations and design of adaptation villages as centres of community learning and demonstration to promote alternative livelihood sources through field schools and farmer support. (d) The Adaptation villages have been procured and are under construction (d) The designs for the fish cooling facility in Homabay County completed. The procurement process is complete and contract awarded. Civil works ongoing
Output 1.3. Increased food production through appropriate and efficient irrigation methods	1.3.1 Percentage increase in food production 1.3.2 No of individuals using irrigation methods	(a) Operationalize Walda farm in Marsabit County; (b) Provide 60 households provided with drip kits and capacity building in Kajiado County	(a) Red Cross is supporting 183 households to pursue farming as an alternative livelihood system in a predominantly pastoralist Waldaa in Marsabit County. (b) 30 drip Kits distributed to farmers in Kajiado county and training workshop on irrigation kit management conducted (c) Completed consultations and designs for the establishment of adaptation villages as centres for community learning to propomote efficient irrigation systems

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			through demos and farmer-support. d) Adaptation villages have been procured and are under construction in Kajiado, Laikipia, Machakos
Output 1.4. Enhanced efficient food utilization through implementation of post harvest strategies and value chain approach	1.4.1 No. of preservation, storage techniques 1.4.2 No. of Farmers Cooperative Societies (FCS), Village Savings and Loans Associations (VSLA), and Economic Empowerment Committees (EEs) formed and supported	(a) TOT Training on Marketing and value addition to 20 groups (b) Provide post harvest - storage solutions and trainings for fresh supplies and cereals to farmers (c) Establish Farmer support groups (coops, savings and loans groups, economic empowerment committees etc) as part of sustainability strategy (d) Construct granaries for food storage and support 6 groups to establish common grain storage facilities. (e) Demonstrate on Value addition for selected fruits including wild fruits (traditional and modern food preservation methods)	(a) Farmer support groups established in Walda and Kajiado (b) Construction of Adaptation villages which will be centres for trainings and demos on post-harvest solutions, and value chain have been procured
Output 1.5. Increased animal production through adoption of drought tolerant animal breeds, pasture conservation and emergency fodder banks	1.5.1 Percentage increase in available fodder 1.5.2 No. of animals receiving sufficient fodder	(a) Plant 100,000 trees to rehabilitate livestock watering points and along rivers (b) Promote drought and climate resilient varieties of grass, fodder and forage to ensure sufficient animal feeds during droughts (c) Procurement of hay making equipment (d) Establish a bulking and selling point for Hay for selected youth groups and women groups as IGA. (e) Train farmers on pastoral and agropastoral ecosystems based adaptation (fodder	(a) 120 bales harvested in Marsabit. (b) Hay making equipments procured and in use in Kajiado. Bulking and selling points for hay for selected youth and women groups have been equally established in Kajiado. (c) Completed consultations and designs for the establishment of adaptation villages as centres for training and demos on fodder, pastoral and agropastoral ecosystems, value addition and environmental conservation.

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		conservation, breeds improvements, disease and pest control).	
Output 1.6. Enhanced land productivity through ecological land use systems , conservation strategies and management technologies	1.6.1 No and type of ecological land use and management systems 1.6.2 No. No. of individuals practicing conservation strategies	(a) Training of Trainers (TOT) and demos on soil and water conservation structures (b) Train 150 youths on tree nursery management and environmental conservation (c) Household tree seedlings distribution and planting. (d) TOT Training on modern farming technologies, agroforestry, climate change and conservation to 20 groups (e) Establishment of 10 community based green zones (f) Establishment of tree nurseries and woodlot (g) Distribute and facilitate adoption drought tolerant, pest and disease resistance tree species to increase adaptive capacity and resilience to climate change (h) Support reforestation of Saimet and Loitokitok forests in Kajiado County through establishment of woodlots, plantations, boundary planting. (i) Formation, operationalization and promotion of community forest associations (CFAs) (j) Hold a demonstration and	(a) Cumulatively, 96,220 tree seedlings have been planted (Marsabit County – 38,720 , Mau Forest – 39,000, Maasai Mara – 5,000, Kajiado County –13,900) to support conservation and improve land productivity. (b) Adaptation villages have been procured and are under construction. The trainings will be conducted in the villages under the field school model

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		awareness on land & soil conservation strategies (k) Charcoal production and management (l) Train women representatives on environmental management, aloe vera growing and kitchen gardening	
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Output Established appropriate physical assets and infrastructure for water harvesting, storage and irrigation.	2.1. 2.1.1 Number of physical assets and infrastructure for water harvesting, storage and irrigation established	(a) Construction of 13 water pans for water harvesting, storage, and irrigation. (b) 200 farmers working with drip irrigation. (c) Development of Masinga Small holder Irrigation Scheme and Thome Irrigation Scheme. (d) 12 No. of roof catchments in schools (e) 24 solarised boreholes in the proposed adaptation centers.	(a) Construction of 6 water of 18,000m ³ per water pan at Imbirikani, Rombo, Kimana, Entonent, Lenkisim and Kuku wards in Kajiado by KEFRI complete. (b) Construction of 3 water pans of 20,000 m ³ by HornAid Kenya in Wajir and Garissa: Boji Yare, Alan Gondere, Daad Bulle complete (c) Construction of 2 water pans of 5000m ³ – Kupuon Kamuga water pan in Kochieng west location and Dak Ongolo water pan in Kakola Ombaka location, Nyando by VIRED complete (d) Construction of the Thome Irrigation scheme by Caritas complete (e) A 12,000m ³ Cubic Meter water pan at Midoina in Kilifi Sub-County by CDA is complete and in use. (f) Completed the Construction of Machanga water pan in Embu (g) Completed the Construction of Masinga small-holder irrigation (h) Construction of intake works in Muranga County Kigumo Constituency (Ajibika) complere (i) Completed the Construction of Othaya Constituency Small Earth Dam (Gakina); (j) Construction of small earth dam (Wanduli), Makueni County, Kibwezi West Constituency complete (k) Procurement for the drilling of 20 boreholes in the adaptation villages complete and civil works ongoing (l) Construction of water harvesting structures at 80% completion
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<p>Output Implemented Integrated Shoreline Mangrove Ecosystem Management (ISMEM) plan</p>	<p>3.1. 3.1.1 Length of shoreline stabilized</p> <p>3.1.2 No. of HHs secured from the effects of sea level rise and shoreline changes.</p> <p>3.1.3 Area in Ha of Mangroves Ecosystem rehabilitated in Vanga and Gazi.</p> <p>3.1.4 Length of coral reefs rehabilitated and protected along the Shimoni-Vanga shoreline.</p> <p>3.1.5 Length of shoreline where erosion and accretion has been controlled.</p> <p>3.1.6 Inventory and GIS database for the shoreline and mangrove ecosystem in place.</p>	<p>(a) 4.81 km of the Vanga Shoreline stabilized (b) Secure at least 3,579 households from the effects of sea level rise and shoreline changes in Vanga. (c) Rehabilitate 2,815 Ha of mangrove in Vanga and Gazi. (d) Rehabilitate and protect at least 6.15 km of coral reef (e) 7.51 km of the Vanga and Gazi shorelines protected from erosion and accretion (f) GIS database established (g) Development of a Management Plan for Diani Chale Marine Protect Area</p>	<p>(a) Designs and BoQ for shoreline stabilization completed and contractor onsite. (b) 90 ha of mangroves rehabilitated (224,199 mangrove seedlings planted) in both Gazi and Vanga mangrove ecosystem (c) 2 acres of Wasini CCA restored with corals. Involved Community sensitization and training of Wasini BMU members on improved management of coral reef and seagrass ecosystems including Baseline survey, Actual transplanting on both shallow and deep waters, Data recording and monitoring. (d) The National coral reef restoration protocol developed, validated and published entitled "The Kenya National Coral Reef Restoration Protocol" (e) Coral reef and sea grass mapping report complete (f) Coral reef restoration documentaries and reports developed and shared through social media and public fora. (g) GIS database established (h) Designs and BQs for erosion and accretion control structures completed and civil works complete (i) A total of 485No. of sacks used for the seagrass restoration recorded, 9,700 seagrass seedlings successfully transplanted in both shallow and deep waters (j)Stakeholder and technical meetings for the development of a Management Plan for Diani Chale Marine Protected Area held</p>
<p>Output Vulnerable physical, natural, and social assets strengthened in response to climate change impacts, including variability</p>	<p>4.1: 4.1.1: Number of infrastructures developed or modified to respond to new conditions arising from climate change related disasters.</p> <p>4.1.2: No. of early</p>	<p>(a) Construction of Dykes in the Nyando basin (4Km stretch) (b)Un block drainage channels to increase water flow (de silting) (c) Construction of 4 evacuation Centers (d) Develop an early warning system (e) Plant bamboo along river banks</p>	<p>(a) 60 Km of blocked drainage channels opened in 3 sub counties in Nyando basin. (b) 10,000 bamboo cuttings have been established (c) Designs and BoQs for 4km dykes in River Asao completed and civil works have commenced (d)Designs and BoQs for evacuation centers for the 4 evacuation centers is complete and civil works have commenced</p>

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		warning systems 4.1.3: Number of sensitization forums / drills held to build the capacity of the vulnerable communities and stakeholders for		
		increasing knowledge & skills in arresting climate change disasters		
Output Established information systems for documenting program implementation processes, information and best practices/lessons learnt	5.1.	5.1.1 Number of information systems / materials (database, website, website, C communication and visibility tools) developed documenting program implementation processes, information and best practices/lessons learnt 5.2.1 Number of meetings, forums and information materials generated	(a) Establishing a database to document all program implementation report and survey informations. (b) Establish a Web based information system for the program © Program Communication and visibility	(a) Web based information system developed for the programme hosted in the NEMA website; "http://www.kccap.co.ke/" Website Developed by CDA; (b) Project sites branded; (c) Project banners and brochures developed;

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Output Knowledge generation and dissemination	5.2.	5.3.1 Number of radio/T.V shows/ programmes aired, peer reviewed publications, community forums, information materials generated and trainings conducted	(a) Hold meetings/conferences to profile success stories, best practices and lessons learnt from the program implementation process. (b) Holding community forums for information generation and dissemination (barazas, drama, community forums, storytelling, riddles as well as other traditional community media among others.) (c) Farmer tours, visits and field days to showcase project best practices and success stories (d) Print Information Education and Communication (brochures, posters, banners) materials about the program (e) Research on Generation of best cropping systems for Climate Resilience	(a) Awareness on program created. (b) Trainings to EEs and sub-EEs on finance and procurement conducted (c) Various trainings to beneficiaries on water management, farming techniques, DTC, drip kits have been conducted. (d) AF/ GCF committee meetings held; Quarterly Field Implementation Committee Meetings held; (e) Baseline for Best Cropping systems for Climate Resilience conducted
		5.4.1 No. of International meetings, seminars, national workshops and short courses on program management and Climate Change adaptation attended		
		5.4.2 No. of Institutions of higher learning Supported to generate information and knowledge on environment, Climate change, International relations, water and irrigation.		

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Output 5.3. Awareness creation and sensitization on climate change adaptation.		(a) Awareness creation on climate change, impacts and adaptation: through Radio programmes, print media, community forums and other media. (b) Publications in peer reviewed journals (c) Produce over 1000 extension materials	(a) Information products developed; Programme coverage on media ; Programme documentary on scenario changes due to climate change and best adaptation approaches developed; Programme covered in Print media. (b) Consultations' and design for the adaptation villages which will be centers for community learning, awareness creation and sensitization on climate
		(booklets, manuals, leaflets) on agricultural, forestry and pastoral ecosystem based adaptations. (d) Develop and air on key television channel nationwide a documentary on scenario changes due to climate change and best adaptation approaches (f) Trainings for government officers and communities to create awareness on environmental degradation and climate change (g) Paper publications and policy brief (h) Train on Community Disaster Preparedness Planning and Response (i) 20,000 brochures designed and produced (j) Radio Talk shows on disaster alerts and preparedness.	change complete (c) Adaptation fund programme featured in a national news t.v station " https://www.youtube.com/watch?v=ZnldXagxUQ4&feature=youtu.be " (d) Coastal region Project activities documentary developed and shared on social media " https://web.facebook.com/TheNextFrontierKe/videos/498005837484572 "
Output 5.4. Strengthening capacity for program		(a) Participating in International meetings, seminars, national workshops and short courses	(a) Participated in 1 International seminar in South Africa (b) Held the NIEs Readiness workshop in Kenya in April 2018;
Implementation and Climate change adaptation		on program management and Climate Change adaptation. (b) Support Institutions of higher learning to generate information and knowledge on environment, Climate change, International relations, water and irrigation.	(c) Participated in 1 International seminars - Climate Finance readiness Seminar in Antigua Barbuda in August 2019: (d) Participated in COP 25 in Spain, Madrid. (e) 2020 Annual Climate Finance Readiness Seminar for Accredited NIEs (f) Participated in the 2020 Virtual Annual Climate Finance Readiness Seminar for Accredited NIEs (g) Participated in the AF Virtual

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			Knowledge Fair in December 2020
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Implementation challenges and recommended way forward

Implementation challenges	Current Status	Recommended way forward
Covid 19 Pandemic	The restricted movement and gathering following the adherence to the Covid 19 management protocols leading to delays in project implementation. During the period of March to June 2020 the project was on hold due to the uncertainty created by the pandemic.	Virtual meetings have been embraced to ensure continuity in project implementation, limited in person meetings in strict adherence to the Covid 19 management protocols, contractors and service providers advised to institute and adhere to the Covid 19 protocols.
Underfunding of some activities	Some activities had been underfunded in the approved work plan	Re-allocation of funds within the allowable limits and explore alternatives that lead to the same outcomes. Joint revision of the work plans with the EEs has been undertaken as a mitigation measure.

The challenges experienced and the risk mitigation measures employed proved effective. However, the effectiveness measures will need to be monitored and adjusted over the long-term.

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The Adaptation Fund Programme titled “The Integrated Programme to Build Resilience to Climate Change and Adaptive Capacity of Vulnerable communities in Kenya” is a national programme seeking to address climate change impacts. Below is a brief highlight of our activities that drive towards sustainability.

- **Sustainability strategy and profile**

NEMA through the NIE has implemented robust adaptation initiatives geared towards reducing vulnerabilities of communities in areas with exacerbated climate change impacts. The project thematic areas include food security, water security, coastal zone management and disaster risk reduction. So far the project has successfully provided access to water for domestic use to the project beneficiaries. Irrigation systems promoting food security have been established. The programmes governance structure ensures inclusivity of the executing entities and the communities in both decision making and implementation by providing local level governance structures for the project.

- **Environmental performance**

The programme has adhered to the highest level of compliance with the stipulated environment and social safeguards by the Kenya national laws. All projects are subjected to a screening process to ensure the correct assessment of the potential environment and social impacts in undertaken before project commencement.

- **Employee welfare**

The programme is adhering to the Adaptation Fund’s and NEMA gender policy to allow for inclusivity of women and youth in the participation of project activities and access to the project benefits.

- **Community Engagements**

The project activities are implemented at community level. The implementation model has endeared to actively engage the communities, both as decision makers and beneficiaries. The project has successfully implemented water projects through the Adaptation village’s concept. The village centres serve as a point of social transformation and learning of the good practices in the dynamic climate change arena.

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4. PROJECT MANAGEMENT RESPONSIBILITIES

The Director General and the Programme Coordinator for Integrated Programme to Build Resilience to Change & Adaptive Capacity of Vulnerable Communities in Kenya are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Director General and the Programme Coordinator for Integrated Programme to Build Resilience to Change & Adaptive Capacity of Vulnerable Communities in Kenya accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public-Sector Accounting Standards.

The Director General and the Programme Coordinator for Integrated Programme to Build Resilience to Change & Adaptive Capacity of Vulnerable Communities in Kenya 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, 2021, and of the Project's financial position as at that date. The Director General and the Programme Coordinator for Integrated Programme to Build Resilience to Change & Adaptive Capacity of Vulnerable Communities in Kenya 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 Director General and the Programme Coordinator for Integrated Programme to Build Resilience to Change & Adaptive Capacity of Vulnerable Communities in Kenya 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 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 Director General on 30th September 2021 and signed on his behalf by:

Integrated Programme to Build Resilience to Climate Change & Adaptive Capacity of Vulnerable Communities in Kenya

Reports and Financial Statements

For the financial year ended June 30, 2021



Director General

MAMO B. MAMO



Programme Coordinator

WANGARE KIRUMBA



Director Corporate Services

CPA KENNEDY OCHUKA

ICPAK Member Number 3872

Integrated Programme to Build Resilience to Climate Change & Adaptive Capacity of Vulnerable Communities in Kenya

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5. REPORT OF THE INDEPENDENT AUDITOR ON THE PROJECT

**Integrated Programme to Build Resilience to Climate Change & Adaptive Capacity of Vulnerable
Communities in Kenya**

Reports and Financial Statements

For the financial year ended June 30, 2021

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON INTEGRATED PROGRAMME TO BUILD RESILIENCE TO CLIMATE CHANGE AND ADAPTIVE CAPACITY OF VULNERABLE COMMUNITIES IN KENYA FOR THE YEAR ENDED 30 JUNE, 2021 - NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY

PREAMBLE

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

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

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

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

Report of the Auditor-General on Integrated Programme to Build Resilience to Climate Change and Adaptive Capacity of Vulnerable Communities in Kenya for the year ended 30 June, 2021 - National Environment Management Authority

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Integrated Programme to Build Resilience to Climate Change and Adaptive Capacity of Vulnerable Communities in Kenya set out on pages 1 to 21, which comprise the statement of financial assets as at 30 June, 2021, statement of receipts and payments, statement of cash flows and 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 Integrated Programme to Build Resilience to Climate Change and Adaptive Capacity of Vulnerable Communities in Kenya as at 30 June, 2021, and 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 Loan Agreement No. KEN/NIE/Multi/2013/1 between the Adaption Fund Board and the Republic of Kenya dated 4 November, 2014 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 Integrated Programme to Build Resilience to Climate Change and Adaptive Capacity of Vulnerable Communities in Kenya 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.

Emphasis of Matter

Low Absorption Rate

A review of the Financing Agreement revealed that the Project closing date of 30 June, 2020 was extended to 31 December, 2021 at no cost. Further, the statement of receipts and payments indicates that the Project spent Kshs.107,291,206 in the year under review. The resultant balance of Kshs.15,160,927 represents unutilized project funds being 12.4% of the total project funding of Kshs.122,452,133.

However, as at the time of the audit in October, 2021, several project activities had not started casting doubt on the ability of the Management to complete the pending activities.

Key Audit Matters

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

Other Matter

1.0. Budget Overrun on Management Fee

According to the approved projects budget, management fees by implementing agency is set at 8.5% of the project cost which is reflected as US\$ 720,326.63 @ 105 OR Kshs.75,634,296. However, a total of Kshs.72,366,504 was spent on administration of the project being 96% of the total allocation while the project stands at 57% on implementation.

It is not clear how the Management will administer the remaining project activities with a budget of less than Kshs.3,500,000 for project administration.

2.0. Projects Not Started

Information available indicates that sixteen (16) project activities equivalent to Kshs.236,922,300 (US\$2,369,223) were yet to be implemented with less than 3 months to the end of the project. This is an indication of poor project implementation mechanism. The Projects are highlighted under **Appendix I**.

In the circumstances, vulnerable communities did not realize any value for these Projects not started.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0. Approval to Implement Projects

The statement of receipts and payments reflects Kshs.93,720,691 in respect of acquisition of non-financial assets. The payments relate to various contractors procured and engaged by NEMA to undertake projects at a total contract cost of Kshs.217,607,994. This is contrary to the Financing Agreement where at NEMA as an implementing entity,

received funds from Adaptation Fund and disbursed the funds to executing entities such as Kenya Forestry Research Institute (KEFRI), Coast Development Authority (CDA) and Tana and Athi Rivers Development Authority (TARDA) for project implementation.

The Management noted that this decision was backed by the NEMA's Board Resolutions and on the need to centralize procurement. However, no evidence was provided to demonstrate that Adaption Fund Board approved for NEMA to directly implement the project activities in line with paragraph 2 of the programme's implementation guidelines of October, 2017 which states that, "execution services will only be provided by implementing entities on an exceptional basis and at the written request by the recipient country, involving designated authorities in the process, and providing rationale for such a request".

In the circumstances, Management is in breach of the terms of the Financing Agreement.

2.0 Variation of Smallholder Irrigation Project

Included in the statement of receipts and payments under acquisition of assets figure of Kshs.93,720,691 is payments of Kshs.68,065,050 for the construction of Smali-holder Irrigation Project in Thome, Laikipia County. The contract was awarded to a local company at a contract price of Kshs.60,546,432 on 24 December, 2019. However, verification of the final payment certificate dated 30 June, 2021 revealed that the contractor was to receive a total of Kshs.68,065,050 being Kshs.7,518,618 above the original contract price.

A contract variation order was issued on 21 December, 2020 which was in contravention of Section 139 (3) of the Public Procurement and Asset Disposal Act, 2015 which states that no contract price shall be varied upwards within twelve months from the date of the signing of the contract.

Consequently, the Project management was in breach of the procurement law.

3.0. Project Verifications

During the year under review, a total of nineteen (19) projects were sampled and verified in Homa-Bay, Kajiado, Laikipia, Kisumu, Machakos, Kwale, and Taita-Taveta Counties as detailed in **Appendix II**. A total of 7 projects with a budget cost of Kshs.33,334,049 had not started, while 7 projects with a budget cost of Kshs.66,481,241 were ongoing and 5 projects with a budget cost of Kshs.87,472,840 were fully complete. There is need for the project management to fast-track the implementation process and ensure that completed projects are handed over formally to the beneficiaries.

In the circumstances, the achievement of the objectives for the projects not started and those ongoing could not be confirmed.

3.1 Uncompleted Civil Works

Included in the statement of receipts and payments under acquisition of assets figure of Kshs.93,720,691 is an amount of Kshs.3,375,562 paid as construction for civil works which included small holder irrigation schemes, and drilling and installation of boreholes. However, physical verification of project sites in the month of October 2021 revealed that the works had not been completed despite payments having been made as shown below;

Item	Details	Estimated cost (Kshs.)
Solar Panels	8 Panels at Oldorko and Leshugu not delivered.	120,000
Concrete Posts	350 Posts not supplied to various sites.	420,000
Construction of Fish cooling plant	Fish cooling plant at Ndiwa not done.	1,043,102
Construction of Water Pan	One (1) water pan of 5000 m ³ done as opposed to 2 pans in Thome, Laikipia.	1,792,460
Total		3,375,562

Consequently, value for money and achievement of the objectives of the projects could not be confirmed.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of 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 cease operations.

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

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

Those charged with governance are responsible for overseeing the 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 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

Report of the Auditor-General on Integrated Programme to Build Resilience to Climate Change and Adaptive Capacity of Vulnerable Communities in Kenya for the year ended 30 June, 2021 - National Environment Management Authority

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


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

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

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



CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

08 December, 2021

Appendix I: Projects not Started

No.	Activity	Agency	Budget Cost US\$
1	Construction of Fish cold storage at Ekalakala.	TARDA	55,670
2	Establish a fruit processing plant	TARDA	75,317
3	Provision of 200 Drip kits complete with a 2000 liters of water storage tank,	Caritas - Nyeri	131,764
4	Establish Milk cooling and processing equipment at Emali	TARDA	170,729
5	Procure and install water harvesting facilities for 40 Farmers groups and 20 schools.	World Vision	161,904
6	Installation of Fish cooling facilities	World Vision	85,714
7	Support 6 groups to establish common grain storage facility.	World Vision	36,547
8	Facilitate 60 farmers groups to adopt fodder trees.	World Vision	48,809
9	Support putting up of Water pans.	KEFRI	356,000
10	Construction of 50 Water pans.	NASARU	294,117
11	5 water pans excavated.	VIRED	48,000
12	Construction of flood control structures along riverbanks (Dykes)	VIRED	440,000
13	Un-block drainage channels to increase water flow (Desilting)	VIRED	150,000
14	Construct 4 modest evacuation centre	VIRED	212,000
15	Plant bamboo along riverbanks	VIRED	52,400
16	Construction of Water pans	CDA	50,252
Total			2,369,223

Appendix II: Homa-Bay County

No.	Project	Project Activities	Project Cost- (Kshs.)	Payment as at 30/6/2021 (Kshs.)	Audit Observations
(i)	Adaptation Village - Kanyangasi	-Drilling 300m Borehole -Installation of 30 panel solar -Installation of a water pump -Construction of a water kiosk -Construction of a hall -Construction of water tank stand & installation of 10,000 m3 plastic water tank -Construction of a 3 door toilet -Chain-link fence	6,464,843	2,424,172	<ul style="list-style-type: none"> Incomplete works and the Contractor had abandoned the site. No sign board erected at the site Solar panels not installed. Water pump not installed. Water tower and tank not installed. The incomplete toilet had cracks on the wall. Only 30 concrete posts were erected instead of 80 posts as per BQ @ 1,200 Basic training halls not constructed.
(ii)	Adaptation Village - Malele Primary School	-Drilling 300m Borehole -Installation of 30 panel solar -Installation of a water pump -Construction of a water kiosk -Construction of a hall -Construction of water tank stand and installation of 10,000 m3 plastic water tank -Construction of a 3 door toilet -Chain-link fence	6,464,843	2,381,172	<ul style="list-style-type: none"> Incomplete works and the Contractor had abandoned the site. No sign board erected at the site Solar panels not installed. Water pump not installed. Water tower and 10,000 ltrs tank not installed. The incomplete toilet had cracks on the wall. Only 30 concrete posts were erected instead of 80 posts as per BQ @ 1,200. Basic training halls not constructed.
(iii)	Ndhiwa Fish Cooling Plant	Construction of fish cooling plant	5,215,512	1,043,102	<ul style="list-style-type: none"> The project had not started. The intended site is a private land which had not been transferred to the community.
(iv)	Adaptation Village - Langi Health Centre	-Drilling 300m Borehole -Installation of 30 panel solar -Installation of a water pump -Construction of a water kiosk -Construction of a hall	6,464,843	2,417,172	<ul style="list-style-type: none"> The project had not received Environmental Impact approval. Incomplete works and the Contractor had abandoned the site. No sign board had been erected at the site. Solar panels not installed. Water pump not installed.

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No.	Project	Project Activities	Project Cost- (Kshs.)	Payment as at 30/6/2021 (Kshs.)	Audit Observations
		- Construction of water tank stand and installation of 10,000 m3 plastic water tank - Construction of a 3 door toilet - Chain-link fence			<ul style="list-style-type: none"> Water tower and 10,000 ltrs tank not installed. The incomplete toilet had cracks on the wall. Only 30 concrete posts were erected instead of 80 posts as per BQ @ 1,200. Basic training halls not constructed.
Kajiado County					
(i)	Adaptation Village - Oldorko	- Drilling 300m Borehole - Installation of 30 panel solar - Installation of a water pump - Construction of a water kiosk - Construction of a hall - Construction of water tank stand and installation of 10,000 m3 plastic water tank - Construction of a 3 door toilet - Chain-link fence	6,731,602	1,156,070	<ul style="list-style-type: none"> Project was complete and in use although it had not been officially handed over. Only 26 Solar Panels installed instead of 30 solar panels as per BQ @ 15,000 each. Only 30 concrete posts were erected instead of 80 posts as per BQ @ 1,200 Basic training halls not constructed.
(ii)	Adaptation Village - Oletepesi Village		6,731,602	2,184,070	<ul style="list-style-type: none"> Project was complete and in use although it had not been officially handed over. Water had been piped from the borehole to private residence. There was no evidence of vulnerable community which the project was serving. Only 30 concrete posts were erected instead of 80 posts as per BQ @ 1,200 Basic training halls not constructed.
	Laikipia County				
(i)	Small holder Irrigation project in Thome		60,546,432	68,065,050	<ul style="list-style-type: none"> No sign board had been erected at the site. Only 1 (one) 5,000m3 water pan had been constructed instead of 2 as per approved workplan. The water pans had not been filled.

No.	Project	Project Activities	Project Cost- (Kshs.)	Payment as at 30/6/2021 (Kshs.)	Audit Observations
(ii)	Adaptation Village - Leshugu Secondary School		6,731,602	1,052,820	<ul style="list-style-type: none"> Project was complete and in use although it had not been officially handed over. Water had been piped from the borehole to a private residence.
					<ul style="list-style-type: none"> Only 30 concrete posts were erected instead of 80 posts as per BQ @ 1,200 Only 26 Solar Panels installed instead of 30 solar panels as per BQ @ 15,000 each. Basic training halls not constructed.
Kisumu County					
(i)	Evacuation Centre - Migingo Primary	Construction of center	5,300,000		<ul style="list-style-type: none"> The project has not started.
(ii)	Evacuation Centre - Ogenya Primary	Construction of center	5,300,000		<ul style="list-style-type: none"> The project has not started.
(iii)	Evacuation Kibarwa	Construction of center	5,300,000		<ul style="list-style-type: none"> The project has not started.
(iv)	Construction of Dykes		11,000,000		<ul style="list-style-type: none"> Project has not started.
(v)	Water pan - Kopon Kamuga water pan	Excavation of 4 water pans	2,400,000	2,560,287	<ul style="list-style-type: none"> Project was incomplete. Water pan in use by the community. Outlet not installed, excess water causing problems to the neighboring homes.
Machakos County					
(i)	Adaptation Village- Vota Primary	Construction of centre	6,731,602	2,289,070	<ul style="list-style-type: none"> Project was complete and in use although had not been officially handed over. Water had been piped from borehole to private residence (Kalimoni). There was no evidence of vulnerable community that the project was serving. Only 30 concrete posts had been used for fencing instead of 80 posts as per BQ @1200.

No.	Project	Project Activities	Project Cost- (Kshs.)	Payment as at 30/6/2021 (Kshs.)	Audit Observations
Kwale County					
(i)	Rose Makwere secondary	Construction of Water Harvesting structures	2,144,683		<ul style="list-style-type: none"> Construction of water harvesting structures. No work was undertaken.
(ii)	Shoreline stabilization at Jimbo beach	Soil accretion control and shoreline stabilization.	18,189,800	9,794,900	<ul style="list-style-type: none"> Works on-going about 40% completion. Contractor not on site at the time of audit. No sign board erected at the site.
(iii)	Mangrove forest	Rehabilitation of mangrove forests by procuring 170,000 seedlings and planting.	21,281,400	14,660,372	<ul style="list-style-type: none"> No Adaptation Fund signboard The site had KCDP signboard, a World Bank funded project by KEMFRI which closed in 2017. Seeds not procured community using their own seeds from the forest and only provided with polythene bags to hold the seed.
Taita-Taveta County					
(i)	Kajire secondary	Construction of water harvesting structures.	2,144,683		<ul style="list-style-type: none"> No work done.
(ii)	Orkung Primary	Construction of water harvesting structures	2,144,683		<ul style="list-style-type: none"> No work done.

6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2021.

	Note	2020/2021			2019/2020		
		Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payment controlled by the entity	Payments made by third parties	Total
		KShs	KShs		KShs	KShs	
RECEIPTS							KShs
Proceeds from domestic and foreign grants	1	117,759,951		117,759,951	-	-	1,006,487,955
Proceeds from Caritas Nyeri		-	-	-	-	-	743,151
Miscellaneous receipts(Exchange gain/loss)	2	4,692,182		4,692,182	18,485,249		41,482,639
TOTAL RECEIPTS		122,452,133		122,452,133	18,485,249		1,048,713,745
PAYMENTS							
Purchase of goods and services	3	9,486,365		9,486,365	25,978,539		72,366,504
Acquisition of non-financial assets	4	93,720,691		93,720,691	7,814,973		112,310,807
Transfers to other government entities	5	4,032,668		4,032,668	50,858,001		409,760,975
Other grants and transfers and payments (Bank Charges)		51,482		51,482	109,528		378,255
TOTAL PAYMENTS		107,291,206		107,291,206	84,761,041		594,816,541
SURPLUS/(DEFICIT)		15,160,927		15,160,927	(66,275,792)		453,897,204

For the financial year ended June 30, 2021

The Financial Statements set out from pages 1 to 6 were approved and signed on behalf of the Authority by:

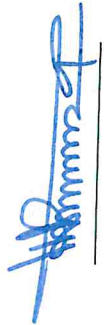


Director General

Name: MAMO B. MAMO

Project Coordinator

Name: WANGARE KIRUMBA



Director Corporate Services

Name: CPA KENNEDY OCHUKA

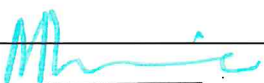
ICPAK Member Number: 3872


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For the financial year ended June 30, 2021

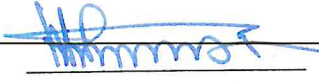
7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2021

	Note	2020-2021	2019-2020
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	6	453,897,204	442,391,339
Total cash and cash equivalents			-
Account Receivables	7	48,183,622	61,516,018
TOTAL FINANCIAL ASSETS		502,080,826	503,907,357
REPRESENTED BY:			
Cash and cash equivalents b/fwd	8	503,907,357	570,183,149
Surplus/Deficit for the year		15,160,927	(66,275,792)
Prior year adjustments	9	(16,987,458)	-
NET FINANCIAL POSITION		502,080,826	503,907,357

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 30th September, 2021 and signed by:


 Director General
 29/11/2021
 Date


 Project Coordinator
 29.11.2021
 Date


 Director Corporate Services
 29.11.2021
 Date

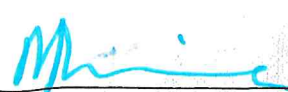
ICPAK Member Number 3872

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STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2021

		2020-2021	2019-2020
	Notes		KES
CASHFLOW FROM OPERATING ACTIVITIES			
Receipts for operating income			
Proceeds from domestic and foreign grants	1	117,759,951	-
Miscellaneous receipts (Exchange loss/gain)	2	4,692,182	18,485,249
		-	-
Payments for operating expenses		122,452,133	18,485,249
Purchase of goods and services	3	(9,486,365)	(25,978,539)
Transfers to other government entities	5	(4,032,668)	(50,858,001)
Other payments (bank charges)		(51,482)	(109,528)
Prior year Adjustments		(16,987,458)	-
Net cash flow from operating activities		91,894,160	(58,460,819)
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Non-Financial Assets	4	(93,720,691)	(7,814,973)
Net cash flows from Investing Activities		(93,720,691)	(7,814,973)
NET INCREASE IN CASH AND CASH EQUIVALENT		(1,826,531)	(66,275,792)
Cash and cash equivalent at BEGINNING of the year		503,907,357	570,183,149
Cash and cash equivalent at END of the year	8	502,080,826	503,907,357

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 30th September, 2021 and signed by:



Director General

29/11/2021


Date



Project Coordinator

29.11.2021

Date



Director Corporate Services

29.11.2021

Date

ICPAK Member Number 3872

9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2021

Receipts/Payments Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
Receipts						
Proceeds from domestic and foreign grants	680,225,000	-	680,225,000	117,759,951	(562,465,049)	17.31%
Foreign Exchange gain			-	4,692,182	4,692,182	0
Total Receipts	680,225,000		680,225,000	122,452,133	(557,772,867)	18.00%
Payments						
Purchase of goods and services	105,000,000		105,000,000	9,486,365	95,513,635	9.03%
Acquisition of non-financial assets	519,750,000		519,750,000	93,720,691	426,029,309	18.03%
Transfers to other government entities	50,000,000		50,000,000	4,032,668	45,967,332	8.07%
Other payments	5,475,000		5,475,000	51,482	5,423,518	0.94%
Total Payments	680,225,000		680,225,000	107,291,206	572,933,794	15.77%


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


Director General

Date 29/06/2021


Project Coordinator

Date 29.11.2021


Director Corporate Services

Date

ICPAK Member No: 3872

Integrated Programme to Build Resilience to Climate Change & Adaptive Capacity of Vulnerable Communities in Kenya
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10. SIGNIFICANT ACCOUNTING POLICIES

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

10.1 Basis of Preparation

10.2 Statement of compliance and basis of preparation

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

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

10.3 Reporting entity

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

10.3.1 Reporting currency

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

10.4 Significant Accounting Policies

a) Recognition of receipts

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

i) Transfers from the Exchequer

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

ii) External Assistance

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

iii) Other receipts

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

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Significant Accounting Policies (Continued)

b) 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.

c) Undrawn external assistance

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

d) Recognition of payments

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

i) Compensation of employees

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

ii) Use of goods and services

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

iii) Acquisition of fixed assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

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Significant Accounting Policies (Continued)

e) In-kind donations

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

f) Cash and cash equivalents

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

g) Accounts receivable

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

h) Contingent Liabilities

A contingent liability is:

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

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships,

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Significant Accounting Policies (Continued)

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote of this financial statement is a register of the contingent liabilities in the year.

Section 89 (2) (i) of the PFM Act requires the National Government to report on the payments made, or losses incurred, by the county government to meet contingent liabilities as a result of loans during the financial year, including payments made in respect of loan write-offs or waiver of interest on loans

i) Contingent Assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are

Significant Accounting Policies (Continued)

assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

j) 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.

k) Budget

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

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Significant Accounting Policies (Continued)

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

l) Third party payments

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties column in the statement of receipts and payments.

During the year no loan disbursements were received in form of direct payments from third parties.

m) Exchange rate differences

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

n) 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.

o) 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, 2021

p) 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.

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11. NOTES TO THE FINANCIAL STATEMENTS

1. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the 12 months to 30 June 2021 we received grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment	Grants received in kind	Total amount in KShs	
		USD	KShs	KShs	KShs	2020/21 KShs	2019/20 KShs
Grants Received from Multilateral Donors (International Organizations)							
Adaptation Fund Board	18/8/2020	1,087,220	117,759,951			117,759,951	
Total		1,087,220	117,759,951			117,759,951	-

2. MISCELLANEOUS RECEIPTS

Exchange gain/Loss			Amount
7/31/2020	JV NO.20/21-012	Being exchange gain for July 2020	5,302,425
8/31/2020	JV NO.2020/21-16	Being exchange gain for August 2020	2,131,140
9/30/2020	JV NO.20/21-044	Being exchange gain for September 2020	1,603,907
10/30/2020	JV NO. 2020/21-089	Being exchange gain for October 2020	1,557,839
11/30/2020	JV NO. 2020/21-090	Being Exchange gain for the month of November 2020	6,745,556

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12/30/2020	JVNO.2020-2021-091	Being exchange loss for December 2020	(4,817,005)
1/31/2021	JV NO. 2020/2021-112	Being Exchange loss for January 2021	(1,045,014)
2/28/2021	JV NO. 2020/21-00153	Being exchange gain for February 2021	2,035,999
3/31/2021	JV NO. 2020/21-00154	Being exchange loss for March 2021	(1,303,944)
4/30/2021	JV NO. 2020/21-00156	Being Exchange loss for April 2021	(7,545,413)
5/31/2021	JV NO. 2020/21-00157	Being exchange loss for May 2021	(1,144,232)
6/30/2021	JV NO.2020/21-0169	Being Exchange gain for June 2021	1,170,926
	TOTAL		4,692,182

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. PURCHASE OF GOODS AND SERVICES

	2020/2021			2019/2020	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Utilities, supplies and services	-		-	527,930	4,957,784
Domestic travel and subsistence	7,463,633		7,463,633	19,801,373	54,840,221
Foreign travel and subsistence	-		-	1,015,150	4,321,198
Printing, advertising and information supplies	280,552		280,552	264,152	544,704
Hospitality supplies and services	345,977		345,977	1,728,187	2,074,164
Trainings					1,485,200
Specialized materials and services	1,396,203		1,396,203	2,504,030	3,900,234
Routine maintenance – vehicles and other transport equipment	-		-	168,000	243,000
Total	9,486,365		9,486,365	25,978,539	72,366,505

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. ACQUISITION OF NON-FINANCIAL ASSETS

	2020/21			2019/20	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Construction of civil works	93,590,173		93,590,173	-	93,590,173
Purchase of vehicles & other transport equipment	130,518		130,518	7,439,482	14,268,620
Purchase of household furniture & institutional equipment	-		-	123,691	4,200,214
Purchase of office furniture & general equipment	-		-	251,800	251,800
Total	93,720,691		93,720,691	7,814,973	<u>112,310,807</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. TRANSFERS TO OTHER GOVERNMENT ENTITIES

During the 12 months to 30 June 2021, we transferred funds to reporting government entities as shown below:

	2020/21			2019/20	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Transfers to National Government entities					
Kenya Forestry Research Institute (KEFRI)	-		-	5,976,805	138,017,559
Tana & Athi Rivers Development Authority(TARDA)	-		-	34,177,269	206,964,620
Coast Development Authority (CDA)	4,032,668		4,032,668	10,703,927	64,778,796
TOTAL	<u>4,032,668</u>	=	<u>4,032,668</u>	<u>50,858,001</u>	<u>409,760,975</u>

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

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6. BANK ACCOUNTS

Project Bank Accounts

The project has a Kshs project account and a USD project account managed by NEMA at Kenya Commercial Bank, Gateway Branch as listed below:

Banks Accounts		
	2020/21	2019/20
Foreign Currency Accounts (USD)		
Kenya Commercial Bank [A/c No.1165595192]	4,524,442.49	4,376,105
Total Foreign currency balances	4,524,442.49	4,376,105
Local Currency Accounts KES Equivalent (A/c No.1165595192)	487,961,123	466,153,240
Local Currency Accounts Kshs account (A/c No.1218639164)	30,536,107	33,140,101
Total Bank account balances	518,497,230	499,293,341
GCF Readiness	(19,910,423)	(22,636,464)
GCF PPF	(31,387,985)	(34,265,538)
South -South Grant	(13,301,618)	-
Bank balance	453,897,204	442,391,339
Outstanding Advances	-	61,465,018
Outsatnding imprest		
Cash & cash equivalent C/FWD	453,897,204	503,856,357

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. ACCOUNTS RECEIVABLE (BREAKDOWN OF ADVANCES)

Institution	Amount Disbursed	Amount surrendered	Outstanding Balance 2021	Balance 2020
KEFRI	92,261,941	92,261,941	-	7,953,372
NASARU	7,708,889	7,669,361	39,528	95
KU	2,002,762	1,681,475	321,287	321,287
VIRED	32,705,183	18,874,706	13,830,477	13,830,477
WORLD VISION	3,338,784	-	3,338,784	3,338,784
Sub total	138,017,559	120,487,483	17,530,076	25,444,015
TARDA	72,173,962	72,173,962	-	90,433
ADRA KENYA	17,732,076	11,407,701	6,324,375	6,324,375
CARITAS	31,083,362	11,252,786	19,830,576	21,072,461
KENYA RED CROSS	40,326,640	40,326,640	-	-
HORNAID KENYA	45,648,580	45,648,580	-	-
Sub total	206,964,620	180,809,669	26,154,951	27,487,269
CDA	64,778,796	60,280,201	4,498,595	8,584,734
Sub total	64,778,796	60,280,201	4,498,595	8,584,734
Grand Total	409,760,975	361,577,353	48,183,622	61,516,018

8. FUND BALANCE BROUGHT FORWARD

	2019/20	2018/19
	KShs	KShs
Bank accounts	442,391,339	508,433,968
Outstanding advances	61,516,018	61,499,181
Outstanding imprest		250,000
Total	503,907,357	570,183,149

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9. PRIOR YEAR ADJUSTMENT

The prior year adjustments is as a result of overstatement of the outstanding advances in the previous financial years as detailed below:

<i>Name of Officer / Institution</i>	<i>Amount Disbursed</i>	<i>Due Date</i>	<i>Surrendered</i>	<i>Balance as at 30.06.20</i>	<i>2018/19</i>	<i>2017/18</i>	<i>Prior year</i>
Kenya Forestry Research Institute (KEFRI)	138,017,559	30.06.20	17,194,637	25,444,015	36,701,281	15,670,549	9,733,178
Tana & Athi Rivers Development Authority (TARDA)	206,964,620	30.06.20	28,462,665	27,487,269	21,733,232	14,980,946	(19,235,756)
Coast Development Authority (CDA)	60,746,128	30.06.20	5,183,862	8,584,734	3,064,668	3,219,048	(7,484,880)
	405,728,307		50,841,164	61,516,018	61,499,181	33,870,543	(16,987,458)

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12. OTHER IMPORTANT DISCLOSURES

1. PENDING ACCOUNTS PAYABLE (See Annex 3A)

	Balance b/f FY 2019/2020	Additions for the period	Total works to date	Paid during the year	Balance c/f FY 2020/2021
Description	Kshs	Kshs	Kshs	Kshs	Kshs
Construction of civil works	-	199,408,192	102,308,938	91,540,064	10,768,874
Total		199,408,192	102,308,938	91,540,064	10,768,874

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OTHER IMPORTANT DISCLOSURES (Continued)

13. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Low absorption rate	The Board of Management Decision to centralize procurement has seen award of tenders for water infrastructure completed which takes the bulk of of the funds. The contractors are now on site and the works are ongoing for completion within the project period. The sites are in Homabay,	Not Resolved	December 2021

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		Kisumu, Kajiado, Machakos, Laikipia Wajir and Garissa. The sites in the coastal region under Coast Development Authority, are in design state and tenders will be awarded as soon as the exercise is finalized.		



Director General

29/11/2021

Date



Project Coordinator

29.11.2021

Date

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14. ANNEXES

ANNEX1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %	Comments on Variance(below 90% and over 100%)
Receipts					
Proceeds from domestic and foreign grants	680,225,000	117,759,951	(562,465,049)	17.31%	The funds are have already been disbursed in previous periods
Foreign Exchange gain	-	4,692,182	4,692,182	-	
Total Receipts	680,225,000	122,452,133	(557,772,867)	18.00%	
Payments					
Purchase of goods and services	105,000,000	9,486,365	95,513,635	9.03%	COVID 19 Pandemic
Acquisition of non-financial assets	519,750,000	93,720,691	426,029,309	18.03%	COVID 19 Pandemic
Transfers to other government entities	50,000,000	4,032,668	45,967,332	8.07%	COVID 19 Pandemic
Other payments	5,475,000	51,482	5,423,518	0.94%	COVID 19 Pandemic
Total Payments	680,225,000	107,291,206	572,933,794	15.77%	COVID 19 Pandemic

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ANNEX 3A - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Original Amount	Date Contracted	Total works to date	Amount Paid To- Date	Outstanding Balance 2020/21	Comments
	a	b	c	d	e=c-d	
Construction of civil works						
Rayfa Construction Ltd (Thome water project)	68,042,464	24 August 2020	43,396,691	39,057,021	4,339,670	Retention
Masai Store Ltd (construction of adaptation village in Kajiado and Machakos)	47,121,022	28 th August 2020	33,133,363	29,282,048	3,851,315	Retention
Hashi Drilling Co. Ltd (Construction of adaptation village in Kisumu and Homabay county)	45,253,901	29 th Sept 2020	12,002,864	10,802,577	1,200,287	Retention
Hashi Drilling Co. Ltd (Construction of adaptation village in Wajir and Garissa)	38,990,805	29 th Sept, 2020	13,776,020	12,398,418	1,377,602	Retention
Total	199,408,192		102,308,938	91,540,064	10,768,874	

APPENDICES

- i. Signed confirmations from beneficiaries on Transfers to Other Government Entities
- ii. Bank Reconciliations statement as at 30th June 2021

