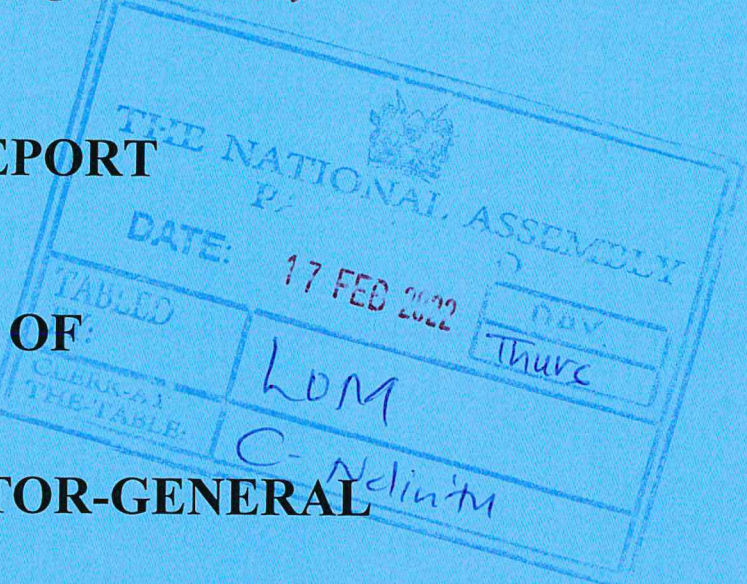


REPUBLIC OF KENYA



Enhancing Accountability

REPORT



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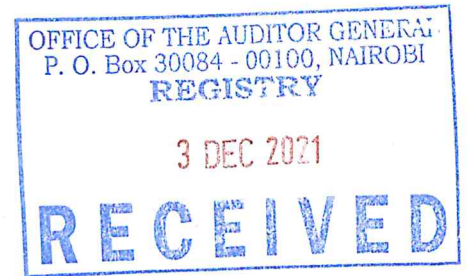
THE AUDITOR-GENERAL

ON

**NORTHERN KENYA CONSERVATION
PROJECT CREDIT NO. CKE1036 01 H**

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

KENYA WILDLIFE SERVICE



Project Name Northern Kenya Conservation Project (NKCP)

Implementing EntityKenya Wildlife Service

Credit Facility Agreement NO..... CKE 1036 01 H

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2021

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

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and Registered office

The Northern Kenya Conservation Project (Marsabit) was conceived and formulated by the Government of Kenya (GOK) with the overall goal of achieving sustainable use of natural resources while at the same time optimizing ecological service functions, particularly water, grazing and energy provision in an area of northern Kenya that centers on Marsabit forest and its ecological and economic connections. The project was officially declared effective on Tuesday 23rd July 2013 after fulfilling all the conditions of effectiveness for an implementation period of five years (2013-2018).

Contacts

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

1.2 Project Information

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

1.3 Project overview

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

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

1.4 Bankers

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

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

1.5 Auditors

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

1.6 Roles and Responsibilities

| Names | Title | Key qualification | Responsibilities |
|---------------|---------------------------|---|---|
| Godwin Muhati | Project Manager | PHD – Climate change, MSC – Environmental Planning, BSc - Wildlife Management | Responsible for project implementation |
| John Rerai | Project Finance officer | MBA, B.COM, CPA (K) | Responsible for finances/running accounts |
| Hellen Bii | Senior Project Accountant | B.COM, CPA(K) | Responsible for Financial Reporting |

1.7 Funding summary

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

| Source of Funds | Donor Commitment | | Amount received by 30.06.2021 | | Undrawn balance by 30.06.2021 | |
|------------------------|------------------|------------|-------------------------------|------------|-------------------------------|------------|
| | Euro (000) | Kshs (000) | Euro (000) | Kshs (000) | Euro (000) | Kshs (000) |
| (i) Loan | | | | | | |
| AFD | 8,000 | 880,000 | 8,000 | 947,950.13 | - | - |
| (ii) Counterpart funds | | | | | | |
| Government of Kenya | 2,410 | 265,100 | 1,122.27 | 123,500 | 1,287.272 | 141,600 |

1.8 Summary of overall project performance

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

B) SUMMARY OF OVERALL PROJECT PERFORMANCE

In the table below, the Project management reports on the progress of the Project implementation in the financial year 2020/2021

| Project component | Cumulative progress as at 2020/21 financial year | Comments |
|--|---|---|
| <p>Policy and legislative framework</p> | <ul style="list-style-type: none"> • Support for the development of nationwide wildlife regulations and guidelines under the Wildlife Management and Conservation Act 2013 endorsed by stakeholders on November the 4th 2016. • Support for the KWS climate change policy • The Marsabit Forest Ecosystems Management plan was gazetted on the 24th of March 2016. • Finalisation of a the MFR/NR boundary Survey exercise at the end of the FY 2015/16. The Survey defined the boundaries and set out beacons that define the MFR and the MNR. • Effective coordination and collaboration among security done • Development of the Marsabit security strategy developed jointly by KWS, KFS, County Government and the Conservancies. • Support for joint security patrols with KWS, KFS, County security team and the Conservancy rangers. | <p>Activities completed</p> |
| <p>Ecosystem conservation</p> | <ul style="list-style-type: none"> • The rehabilitation of the existing 6.7 km Human-wildlife fence. • Construction of a new 11km Human-wildlife barrier. | <p>Total No of new ranger units done (37 units in total)</p> <p>Total No of old ranger units (rehabilitated 48 units)</p> |

| Project component | Cumulative progress as at 2020/21 financial year | Comments |
|-------------------|--|--|
| | <ul style="list-style-type: none"> • Rehabilitation of Ranger houses Park Hqs 11 blocks of two bedroomed (22 units). • Rehabilitation of Ranger houses Karare Gate 2 blocks of two bedroomed (4 units). | <p>Total No of old ranger units (rehabilitated 11 units)</p> <p>Total KWS units (96 units)</p> <p>Total No of new KFS ranger units done (7 units)</p> |
| | <ul style="list-style-type: none"> • New Museum and education centre 1 block 90% complete. • Tourism facility (Rehabilitation of 1 No. Stone house), retendered. • Rehabilitation of 1No. Timber house Old houses, retendered. • Construction of 1 No external kitchen ongoing, retendered. • Construction of 2 houses (caretaker/security) No retendered. • Ranger housing in Ngurunit 2 blocks of 2 units each (4 units). • Ranger housing in Laisamis 2 blocks of 2 units each (4 units). • Laisamis Officers house 1No. 2 bedroomed house. • Ranger housing in Marsabit PHQs 5½ | <p>New KFS office block done (1 Unit)</p> |
| | <ul style="list-style-type: none"> • Blocks of twin one bedroomed (11 units). • Ranger housing in Songa camp 7 No. blocks of twin bedsitters (14 units). • Officers house in Songa 1No. 2 bedroomed house. • Staff social hall in Songa 1No. Block (new). • Rehabilitation of ranger units at the PHqs 9 No. twin blocks of one | |

| Project component | Cumulative progress as at 2020/21 financial year | Comments |
|-------------------|---|---|
| | <p>bedroomed self-contained (18 units).</p> <ul style="list-style-type: none"> • Rehabilitation of ranger units at Ahmed Gate 2 Blocks twin of two bedrooms each (4 units) ongoing. • PHQs canteen rehabilitation 1 block (ongoing). • Abdul Gate officers Mess (New) 1 No Unit. • One KFS Office block and 7 ranger housing units and a staff social Hall. • 6 KWS vehicles + 2 KFS vehicles have been procured and well used. • 1 farm tractor KFS. • 1 land cruiser and 3 motorbikes for NRT. <p>KFS Housing and offices (new units)</p> <ul style="list-style-type: none"> • Constructed administration office block (KFS) and modern gate (KFS), and staff mess. • Construction of ranger housing 7 units and 7 pit latrines). <p>Roads construction Rehabilitation of roads (Ahmed -Karare, 22 km) Arjamarko - Chop junction, 9 km), inalised</p> | |
| | <p>Training All KWS and KFS staff have been trained: 1. Customer care and PR skills course, 2.Driving face to wildlife course, 3.Security management course, 4.Basic investigation and prosecution course,</p> | <p>Implementation of the TNA (Training Needs Assessment) report actualized.</p> |

| Project component | Cumulative progress as at 2020/21 financial year | Comments |
|-------------------|--|--|
| | 5.First Aid course, 6.Advanced mechanics course, 7.Executive Secretarial Training, 8.Gis and remote sensing, 9.Senior management course, 10.Strategic Leadership training course, 11.Advanced GIS and image processing training, 12.Project Management, M&E Course, 13.EIA Course, 14.Public Sector Financial Management. | |
| | Development of a Database system KWS web-designers have designed a web interface to act as a database for research reports, studies and data produced on the Marsabit Forest. | The database is operational and web-based. |
| | Research Activities for Baseline Information <ul style="list-style-type: none"> • Studies carried out based on the Research plan. • Dry and wet season biodiversity assessments (baseline). • Carbon stock assessment (below and above ground). • Land use and land cover change assessment between 1990-2017. • Water quality analysis and mapping of water sources around the forest. • Use of Geoinformation Technology in Assessing Nexus between Ecosystem Changes and Wildlife Distribution : A Case Study of Mt. | Research activities were all actualized. |
| | <ul style="list-style-type: none"> • Land use and land cover change assessment between 1990-2017. • Water quality analysis and mapping of water sources around the forest. • Use of Geoinformation Technology in Assessing Nexus between Ecosystem Changes and Wildlife Distribution : A Case Study of Mt. | |

| Project component | Cumulative progress as at 2020/21 financial year | Comments |
|-------------------|---|----------|
| | <p>Marsabit Forest Valuation of non-timber forest products.</p> <ul style="list-style-type: none"> • In addition to these studies, the Park is collecting different data, related to HWC, Elephant mortality, climatic trend data. • The planned elephant collaring operation (on 10 elephants) was done in 2016 with the support of Save the Elephant. • HWC hotspots identification and mapping, Economic valuation of Mount Marsabit forest ecosystem goods and services. • Land degradation analysis (deforestation, soil erosion). • Modelling climate change to 2100 based on the RCP 4.5 and RCP 8.5 scenarios. • Status of ecosystem service of the Marsabit forest and the impacts of anthropogenic forcing's on their supply. • Governance regimes and their impact on forest management in Marsabit Forest. • Continuous Monitoring of the main taxa based on Baseline survey. • Participatory scenario development in developing a framework for sustainable land use and ecosystem service delivery. • Analysis of the impacts of climate change on Marsabit Forest Ecosystem, | |

| Project component | Cumulative progress as at 2020/21 financial year | Comments |
|---|--|---|
| | <ul style="list-style-type: none"> Update the biodiversity assessment on large mammals. | |
| Natural resources management | | Consultancies on carbon revenues |
| | | Project partnered with Conservation International to develop the REDD+ strategy document that will be the guiding template document for the payment for ecosystem services framework. |
| Connectivity | <ul style="list-style-type: none"> Security assessment and improvement The continuous patrols have continued to secure a good working relationship between KWS, KFS. Procurement of security equipment (tents, binoculars, cameras) procured for KFS and KWS operations. | Continuous |
| Payments for ecosystems services | Water user's meetings and agreements <ul style="list-style-type: none"> Development of four sub-catchment management plan for watershed management finalised. | Done |

c) Value for Money

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

d) Implementation challenges

The procurement processes took longer than expected.

Way forward

The AFD project attained practical completion status on 30th June 2021 having achieved all the objectives as per the agreement 2013.

1.9 Summary of project compliance

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

2. Statement of Performance against Projects Predetermined Objectives

Introduction

The Northern Kenya Conservation Project (Marsabit) was conceived and formulated by the Government of Kenya (GOK) with the overall goal of achieving sustainable use of natural resources while at the same time optimizing ecological service functions, particularly water, grazing and energy provision in an area of northern Kenya that centers on Marsabit forest and its ecological and economic connections. The overall goal of the project is to achieve sustainable use of natural resources while at the same time optimizing ecological service functions, particularly water, grazing and energy provision in Marsabit forest and its ecological and economic connections. The project will work to overcome these threats, their root causes and the barriers to effective management of the protected areas in the area. Thus, the overall goal of the project is to achieve sustainable use of natural resources while at the same time optimizing ecological service functions, particularly water, grazing and energy provision in the area of northern Kenya that centers on Marsabit Forest and its ecological and economic connections. This goal was specifically achieved through a network of protected areas and community conservancies that are managed effectively, adaptively and collaboratively through partnerships that include government and nongovernment actors, and local communities. The project adopted five principal components in order to contribute to achieving this goal. These are:

Project components

I. Policy and legislative framework---The expected outcome of this component is the enabling policy and legislative framework for conservation in Kenya is implemented in Northern Kenya, and institutional cooperation, collaboration and coordination leads to effective conservation and natural resource management.

II. Ecosystem conservation--The expected outcome of this component is: the critical ecosystem service functions of the Marsabit forest are secured while alternative sources of energy, water and grazing are sought, developed, delivered and managed.

III. Natural resources management-- The expected outcome of this component is: For the people dependent on forest ecosystem goods and services, alternative sources of energy, water and grazing are sought, developed, delivered and managed

IV. Connectivity--The expected outcome of the component is: the biological connections between Marsabit and its surrounding areas are secured and thereafter maintained

V. Payment for Ecosystem Services- The expected outcome of the component is Payment for Ecosystem Services (PES) is generating revenues that are contributing to covering the costs of conservation.

VI. Enhance project effects-- The expected outcome of the component is: The project catalyzes projects that contribute to its overall objective but are either beyond the immediate scope or budget of the project

Progress on attainment of Strategic development objectives

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

| Project | Objective | Outcome | Indicator | Performance |
|--|----------------------------------|--|--|---|
| Northern Kenya Conservation Project (Marsabit) | Policy and legislative framework | The enabling policy and legislative framework for conservation in Kenya is implemented in Northern Kenya, and institutional cooperation, collaboration and coordination leads to effective conservation and natural resource management. | <ul style="list-style-type: none"> Legally established protected areas, area Guidelines for implementation of Wildlife Policy and Law | <ul style="list-style-type: none"> Support for the development of Nationwide wildlife regulations and guidelines under the Wildlife Management and Conservation Act 2013 endorsed by stakeholders on November the 4th 2016. |
| | | | <ul style="list-style-type: none"> Guidelines for harmonization between (forthcoming) Wildlife Policy & Law, and (forthcoming) Constitution, and of how they affect | <ul style="list-style-type: none"> Support development for the KWS climate change policy done The MFE management plan was gazetted on the 24th of March 2016. Finalisation of a the MFR/NR boundary survey exercise at the end of the FY 2015/16. The survey defined |

| | | | | |
|--|--|--|--|--|
| | | | <p>land tenure and conservation</p> <ul style="list-style-type: none"> • Marsabit National Park gazettelement • Marsabit National Park management plan • Marsabit National Reserve Management Plan • Three community conservancies (Songa, Shura, Jaldesa) management plans • Management agreement between Namunyak and KFS for Mathews Forest Reserve • Coordination and collaboration among natural resource organizations in Marsabit | <p>the boundaries and set out beacons that define the MFR and the MNR.</p> <ul style="list-style-type: none"> • Effective coordination and collaboration among security done • Development of the Marsabit security strategy developed jointly by KWS, KFS, County Government and the Conservancies. • Support for joint security patrols with KWS, KFS, County security team and the Conservancy rangers |
|--|--|--|--|--|

| | | | | |
|--|-------------------------------|--|--|--|
| | | | <ul style="list-style-type: none"> • Water allocation plan (WAP) for Marsabit • Northern Kenya Tourism Plan | |
| | | | <ul style="list-style-type: none"> • Effective coordination and collaboration among security organizations | |
| | Ecosystem conservation | The critical ecosystem service functions of the Marsabit forest are secured while alternative sources of energy, water and grazing are sought, developed, delivered and managed. | <ul style="list-style-type: none"> • Management Effectiveness of Marsabit National Park (METT Scorecard) • The rate of deforestation of Marsabit forest • The rate of human-wildlife conflict | <ul style="list-style-type: none"> • The rehabilitation of the existing 6.7 km Human wildlife fence. • Construction of a new 50 km Human wildlife barrier • Rehabilitation of Ranger Houses Park Hqs 11 blocks of two bedroomed (22 units) • Rehabilitation of Ranger houses Karare Gate 2 blocks of two bedroomed (4 units) • New Museum and education center 1 block finalized • Tourism facility (Rehabilitation of 1 No. Stone house), finalised |
| | | | <ul style="list-style-type: none"> • Effective knowledge management | <ul style="list-style-type: none"> • Rehabilitation of 1No. Timber house Old houses, finalised • Construction of 1 No external kitchen finalised, • Construction of (caretaker/security) houses 2 No • Ranger housing in Ngurunit 2 blocks of 2 units each (4 units) • Ranger housing in Laisamis |

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| | | | | |
|--|--|--|--|---|
| | | | | <p>2 blocks of 2 units each (4 units)</p> <ul style="list-style-type: none"> • Laisamis Officers house 1No. 2 bedroomed house. • Ranger housing in Marsabit PHQs 5½ Blocks of twin one bedroomed (11 units) • Ranger housing in Songa camp 7 No. blocks of twin bedsitters (14 units) • Officers house in Songa 1No. 2 bedroomed house • Staff social hall in Songa 1No. Block (new) • Rehabilitation of ranger units at the PHqs 9 No. twin blocks of one bedroomed self-contained (18 units) • Rehabilitation of ranger units at Ahmed Gate 2 Blocks twin of two bedrooms each (4 units) • PHQs canteen rehabilitation 1 block • Abdul Gate Officers Mess (New) 1 No Unit • One KFS Office block and 7 ranger housing units and a staff social Hall. • 7 KWS vehicles + 2 KFS vehicles have been procured and well used. • 1 farm tractor KFS • 1 land cruiser and 3 motor bikes for NRT <p>KFS Housing and offices (new units)</p> <ul style="list-style-type: none"> • Constructed administration office block (KFS) and modern gate (KFS), and staff mess. • Construction of ranger housing 7 units and 7 pit |
|--|--|--|--|---|

| | | | | |
|--|--|--|--|---|
| | | | | <p>latrines)</p> <p>Roads construction</p> <p>Rehabilitation of roads (Ahmed -Karare ,22 km) Arjamarko - Chop junction, 9 kms)</p> <p>Training</p> |
| | | | | <p>All KWS and KFS staff have been trained: 1.Customer care and PR skills course, 2.Driving face to wildlife course, 3.Security management course, 4.Basic investigation and prosecution course, 5.First Aid course, 6.Advanced mechanics course, 7.Executive Secretarial Training, 8.Gis and remote sensing, 9.Senior management course, 10.Strategic Leadership training course, 11.Advanced GIS and image processing training, 12.Project Management, M&E Course, 13.EIA Course, 14.Public Sector Financial Management</p> <p>Development of a Database system</p> <p>KWS web-designers have designed a web interface to act as a database for research reports, studies and data produced on the Marsabit Forest.</p> |
| | | | | <p>Research Activities for Baseline Information</p> <ul style="list-style-type: none"> • Studies carried out based on the Research plan • Dry and wet season biodiversity assessments (baseline) • Carbon stock assessment (below and above ground) • Land use and land cover change assessment between 1990-2017. |

| | | | | |
|--|--|--|--|--|
| | | | | <ul style="list-style-type: none"> • Water quality analysis and mapping of water sources around the forest • Use of Geoinformation Technology in Assessing Nexus between Ecosystem Changes and Wildlife Distribution: A Case Study of Mt. Marsabit Forest Valuation of non-timber forest products • In addition to these studies, the Park is collecting different data, related to HWC, Elephant mortality, climatic trend data, etc. • The planned elephant collaring operation (on 10 elephants) was done in 2016 with the support of Save the Elephant. • HWC hotspots identification and mapping, Economic valuation of Mount Marsabit Forest ecosystem goods and services, • Land degradation analysis (deforestation, soil erosion), • Modelling climate change to 2100 based on the RCP 4.5 and RCP 8.5 scenarios • Status of ecosystem service of the Marsabit forest and the impacts of anthropogenic forcing's on their supply • Governance regimes and their impact on forest management in Marsabit Forest. • Continuous Monitoring of the main taxa based on Baseline Survey • Participatory scenario development in developing a framework for sustainable land use and ecosystem service delivery. • Analysis of the impacts of climate change on Marsabit |
|--|--|--|--|--|

| | | | | |
|--|--------------------------------------|--|---|--|
| | | | | Forest Ecosystem, <ul style="list-style-type: none"> Update the biodiversity assessment on large mammals. |
| | Natural resources management- | For the people dependent on | <ul style="list-style-type: none"> Community conservancies | Construction of Four community check dams. |
| | - | forest ecosystem goods and services, alternative sources of energy, water and grazing are sought, developed, delivered and managed | <ul style="list-style-type: none"> adjacent to Marsabit National Park Management effectiveness of three community conservancies (Shura, Songa & Jaldesa; METT scorecards) Management effectiveness of Marsabit National Reserve (METT scorecard) Management effectiveness of rangelands | <p>Kituruni (5,100 cubic meters, Elquarsa 19,662 cubic meters, Jaldessa, 80,440 cubic meters, Hula Hula 50,556 cubic meters).</p> <p>Reforestation & Woodlots (see attached report)</p> <ul style="list-style-type: none"> Woodlots establishment in schools (36 schools) Woodlots establishment in homes (over 78 homes) Establishment of Community nurseries (12 community nurseries) Formation of 8FFS for forestry technology transfer and establishing of on farm woodlots. Réhabilitation of degraded areas 40 hectares |
| | | | <ul style="list-style-type: none"> in community conservancies (using planned grazing, holistic management and reseeded) Potential storage volume of | <ul style="list-style-type: none"> Supply of energy saving jikos for communities (over 10000) for their energy needs. Development of a Participatory forest management plan for the Saku community forest association. |

| | | | | |
|--|--|--|---|--|
| | | | <p>water in surface run-off structures outside of national park</p> <ul style="list-style-type: none"> • Quantity of fuelwood from Marsabit forest • Area of plantation and reforestation in areas adjacent to Marsabit National Park • Quantity of certified, sustainable charcoal at markets in Marsabit | <ul style="list-style-type: none"> • Formation and registration of the Saku community forest association • Supply of over 3000 gas cylinders for communities for their energy needs • Supply of 4000 units of solar lighting for community lighting. <p>Water harvesting Pilot</p> <ul style="list-style-type: none"> • Established shallow dams for 212 farmers in Marsabit forest (harvesting a total of 12,683, 900 litres of water). • Supply of 450 manual money maker pumps for water pumping from the shallow dams • 200 tanks of 5000 litres supplied to the communities for water harvesting • Guttering done for over 200 households to harvest rain water • Supply of over 2000 Solar lamps for lighting purposes <p>Bee Keeping</p> <ul style="list-style-type: none"> • Supply of over 8000 beehives for honey production with communities earning revenue from honey production • Grazing management and reseeded pilots |
|--|--|--|---|--|

| | | | | |
|--|---------------------------------------|---|--|---|
| | | | | <ul style="list-style-type: none"> • Activities related to rangeland management were implemented in the conservancy essentially entailing grazing management through the grazing committees. |
| | Connectivity | The biological connections between Marsabit and its surrounding areas are secured and thereafter maintained | <ul style="list-style-type: none"> • Insecurity in corridors (measured by number of elephants poached) • Through the establishment of local WRUAs, effective management of Laisamis and Koiya water points (allowing wildlife access) • Preparation for pilot REDD+ carbon project for Marsabit National Park | <ul style="list-style-type: none"> • Security assessment and improvement • The continuous patrols have continued to secure a good working relationship between KWS, KFS. • Procurement of security equipment (tents, binoculars, cameras) procured for KFS and KWS operations. |
| | Payment for Ecosystem Services | The expected outcome of the component is Payment for Ecosystem Services (PES) is generating revenues that are contributing to covering the costs of | <ul style="list-style-type: none"> • Water-user derived revenues being accrued by KWS (as managers of Marsabit watershed) • Preparation for trading | <p>Water user's meetings and agreements</p> <ul style="list-style-type: none"> • Development of four sub-catchment management plan for water shed management <p>Consultancies on carbon</p> |

| | | | | |
|--|--|---------------|---|---|
| | | conservation. | (plantation and reforestation) carbon in Clean Development Mechanism •Preparation for pilot trading (rangeland restoration) carbon in Clean Development Mechanism •Tourists visiting Marsabit National Park | revenues Project partnered with Conservation International to develop the REDD+ strategy document that will be the guiding template document for the payment for ecosystem services framework. |
|--|--|---------------|---|---|

As at 30th June 2021, the AFD project attained 100 percent practical completion of its implementation. To summarize, up to date, the main progress has been achieved on both the “soft” part and” the “hard” part of the project. The activities envisaged for implementation in the period under review were actualized. At the end pf the project, all the main activities that were envisaged as per the revised loan agreement based on the midterm review and the amended log frame. Aspects yet to be achieved under the counterpart funding (e.g. community support to climatic resilience, piping of water to the staff camp, construction of abolition block for the revenue gates and Laismais ranger post and Ngurunit ranger post, Lake Paradise lookout guard rail, connection of solar /HEP to the Ajarmacko gate, Bongole gate, expanding shallow dam construction for community households, community participatory mechanisms, operationalization of the revenue gates, water supply to ranger housing) will be progressively achieved with annual budgetary allocation from Treasury.

Challenges faced

Delays in processing of counterpart funding hampered implementation progress.

The poor road network especially within the community areas led to high cost of vehicle maintenance and operation

Climatic variability was prevalent jeopardizing community support in woodlots establishment and forest rehabilitation. Survival rates for planted seedlings was below 50%. Climate

change and drought events challenged the project implementation (especially component 3) that aimed to increased community access to water and alternative energy sources and livelihood.

Perennial inter-ethnic conflict in the project area derailed aspects of community partnership and slowed down construction of community check dams.

Opportunities after closure of the AFD project

The establishment of the devolved County Government system under the new constitution in 2010 has been an important institutional evolution within the project setting. Post project, the various interventions done over the project cycle can benefit from the County Government support particularly with respect to community support, forest rehabilitation, income generating activities and maintenance of community check dams. Partnership between KWS, KFS, and the County Government of Marsabit will ensure that the sustainable utilisation of the Marsabit forest resources which was the goal of the project will be achieved.

3. Corporate Social Responsibility Statement

The Conservation of Biodiversity in Northern Kenya Project (CKE -1036), made a positive contribution within the communities in which we operated guided by the KWS Corporate Social Responsibility Policy. The project achieved through community engagement through the promotion and support of nature-based enterprises such as apiculture, water harvesting technologies, tree nursery establishment, woodlot establishment, fruit trees establishment, proliferation of solar energy technologies, and other alternative clean energy sources towards achieving zero net carbon emissions

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Director General (Accounting Officer) for Kenya Wildlife Service and the Project coordinator for Northern Kenya Conservation project are responsible for preparation and presentation of the project's financial statements, which give the state of affairs of the project as at the end of the financial year ended on June 30, 2021. This responsibility includes: maintaining adequate financial management arrangements and ensuring that ~~these continue to be effective throughout the reporting period; maintaining proper~~ accounting records, which disclose with reasonable accuracy at any time the financial position of the project; designing, implementing and maintaining internal controls relevant to the preparation and presentation of financial statements that are free from material misstatements, whether due to fraud or error; safeguarding the assets of the Project; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

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For the year ended June 30, 2021

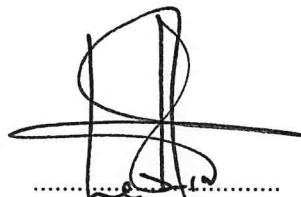
The Director General for Kenya Wildlife service and Project Coordinator for Northern Kenya Conservation project are of the opinion that the financial statements have been prepared in accordance with the project financial reporting requirements, and give a fair view of the financial performance for the year ended June 30, 2021. The Director General and the Project Manager further confirm the completeness of the accounting records maintained for the Project which have been relied upon for the preparation of the Financial Statements as well as on the adequacy of the internal financial control.

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

The financial statements were approved on 30th Sept 2021 and signed by:



Director General
Brig (Rtd) John Waweru EBS



Project coordinator
Leslie Muhati (PHD)



Project Accountant
CPA Hellen Bii
ICPAK Member No. 6324

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NORTHERN KENYA CONSERVATION PROJECT CREDIT NO. CKE1036 01 H FOR THE YEAR ENDED 30 JUNE, 2021 - KENYA WILDLIFE SERVICE

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 ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements set out on pages 1 to 14, which comprise the statement of financial assets as at 30 June, 2021 and the statement of

Report of the Auditor-General on Northern Kenya Conservation Project Credit No. CKE1036 01 H for the year ended 30 June, 2021 – Kenya Wildlife Service

receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Northern Kenya Conservation Project as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement No. CKE 1036 01 H between Agence Francaise De Development and the Government of the Republic of Kenya dated 1 August, 2012, and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Northern Kenya Conservation Project Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. I have determined that there are no key audit matters to communicate in my report.

Other Matter

Budgetary Control and Performance

The statement of comparative budget and actual amounts reflect final receipts of Kshs.276,100,000 and Kshs.255,000,915 respectively resulting to an under-funding of Kshs.21,099,085 or 8% of the budget.

Similarly, the Project expended Kshs.222,422,788 against an approved budget of Kshs.276,100,000 resulting to under-expenditure of Kshs.53,677,212 or 19% of the budget.

The under-collection of receipts of Kshs.21,099,085 was contributed by an under-collection of Kshs.22,500,000 or 75% from Government counterpart funding. It is not clear why the Management failed to follow-up on The National Treasury to release the counterpart funding as budgeted.

The under expenditure is an indication of non-implementation of planned activities, a situation which may have negatively affected citizens of Marsabit County.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Risk Management Policy

During the year under review, the project did not have a risk management policy, therefore the Management did not perform formal risk assessments on all key financial risk areas such as revenue, expenditure and fraud.

Consequently, the risk levels of the key financial areas of the project could not be confirmed.

2. Disaster Recovery Policy

During the year under review, the project operated without a disaster recovery plan in place. Therefore, the project's preparedness to recover loss data, information or any other important resource of the project in the circumstances there was a disaster could not be confirmed.

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by AFD, I report based on my audit, that:

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of 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 governance.

In preparing the financial statements, Management is responsible for assessing the Northern Kenya Conservation Project's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Project or to cease operations.

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

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

Those charged with governance are responsible for overseeing Northern Kenya Conservation Project's financial reporting process, reviewing the effectiveness of how the entity 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 governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to

those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

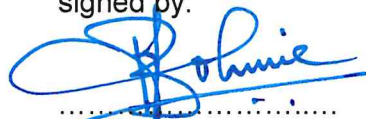
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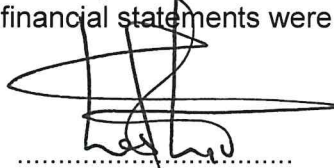
6. STATEMENT OF RECEIPTS AND PAYMENTS FOR YEAR ENDED 30TH JUNE 2021

| | Notes | 2020/2021 Kshs | 2019/2020 Kshs | Cumulative to date Kshs |
|---------------------------------------|-------|--------------------|---------------------|-------------------------------|
| Receipts | | | | |
| AFD | 3 | 247,417,330 | - | 947,950,130 |
| Government of Kenya (GoK) | 1 | 7,500,000 | - | 123,500,000 |
| Miscellaneous receipts | 4 | 83,585 | 66,957 | 37,394,995 |
| KWS | 1 | -32,740,000 | 32,740,000 | - |
| Total receipts | | 222,260,915 | 32,806,957 | 1,108,845,125 |
| Payments | | | | |
| Policy & Legal Framework | 5 | 4,009,441 | 460,932 | 30,016,099 |
| Ecosystem Conservation | 6 | 127,441,537 | 17,615,632 | 589,396,840 |
| Natural Resource Management | 7 | 54,381,745 | 10,478,271 | 209,196,704 |
| Connectivity | 8 | 285,635 | 298,502 | 6,704,252 |
| Payment of Ecosystem Services | 9 | 1,572,000 | 1,096,000 | 13,796,209 |
| Project Implementation | 10 | 3,987,694 | 3,731,535 | 58,933,698 |
| Monitoring & Evaluation | 11 | 1,800,820 | - | 2,626,372 |
| Counterpart Funding | 12 | 28,943,916 | 23,254,229 | 198,156,676 |
| Total payments | | 222,422,788 | 56,935,101 | 1,108,826,850 |
| Surplus/(Deficit) for the year | | (161,873) | (24,128,144) | 18,275 |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30th Sept 2021 and signed by:



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



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



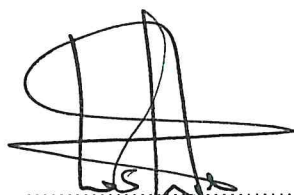
.....
Project Accountant
Hellen Bii
ICPAK Member No. 6324

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

| | Notes | 2020/2021 Kshs | 2019/2020 Kshs |
|----------------------------------|-------|-------------------|-------------------|
| Bank balance | 16 | 18,257 | 180,079 |
| Cash balances | 16 | 18 | 69 |
| Total | | 18,275 | 180,148 |
| Represented by: | | | |
| Fund balance B/f | 18 | 180,148 | 24,308,292 |
| Surplus / (deficit) for the year | | (161,873) | (24,128,144) |
| Net financial position | | 18,275 | 180,148 |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30th Sept 2021 and signed by:


 Director General


 Project Coordinator

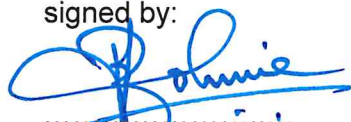

 Project Accountant


ICPAK Member No. 6324

8. STATEMENT OF CASH FLOW FOR THE PERIOD ENDED JUNE 30TH, 2021

| | Notes | 2020/2021 Kshs | 2019/2020 Kshs |
|--|-------|----------------------|---------------------|
| Receipts from operating income | | | |
| GoK receipts | 1 | 7,500,000 | - |
| AFD receipts | 3 | 247,417,330 | - |
| KWS | 1 | (32,740,000) | 32,740,000 |
| Total Income | | 222,177,330 | 32,740,000 |
| Payments for operating expenses | | | |
| Policy & Legislative framework | 5 | (4,009,441) | (460,932) |
| Ecosystem Conservation | 6 | (127,441,537) | (17,615,632) |
| Natural Resource Management | 7 | (54,381,745) | (10,478,271) |
| Connectivity | 8 | (285,635) | (298,502) |
| Payment for Ecosystem Services | 9 | (1,572,000) | (1,096,000) |
| Project Implementation | 10 | (3,987,694) | (3,731,535) |
| Monitoring and Evaluation | 11 | (1,800,820) | - |
| Counterpart Expenditure | 12 | (28,943,916) | (23,254,229) |
| Total Expenditure | | (222,422,788) | (56,935,101) |
| Net cash flow from operating activities | | (245,458) | (24,195,101) |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Miscellaneous receipts | 4 | 83,585 | 66,957 |
| Net cash flow from investing activities | | 83,585 | 66,957 |
| NET INCREASE IN CASH AND CASH EQUIVALENT | | (161,873) | (24,128,144) |
| Cash and cash equivalent at the beginning | 18 | 180,148 | 24,308,292 |
| Cash and cash equivalent at the end of the year | 16 | 18,275 | 180,148 |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30th Sept 2021 and signed by:


.....
Director General


.....
Project Coordinator



.....
Project Accountant
ICPAK Member No. 6324

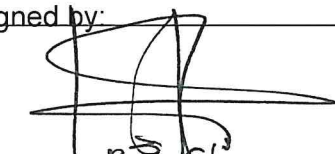
9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

| | Original Budget | Adjustments | Final Budget | Actual on Comparable Basis | Budget Utilization Difference | % of Utilization |
|-----------------------|--------------------|-------------|--------------------|----------------------------------|-------------------------------------|---------------------|
| | Kshs | Kshs- | Kshs | Kshs | Kshs | |
| Receipts | | | | | | |
| GOK | 30,000,000 | - | 30,000,000 | 7,500,000 | 22,500,000 | |
| AFD Grant | 246,100,000 | - | 246,100,000 | 247,417,330 | (1,317,330) | |
| Other Income | - | - | - | 83,585 | (83,585) | |
| KWS | | | | | | |
| Total Receipts | 276,100,000 | - | 276,100,000 | 255,000,915 | 21,099,085 | |
| Payments | | | | | | |
| Policy & Leg. | 5,200,000 | - | 5,200,000 | 4,009,441 | 1,190,559 | 77 |
| Ecosystem con. | 131,900,000 | - | 131,900,000 | 127,441,537 | 4,458,463 | 96 |
| Natural R. Mgt | 89,030,000 | - | 89,030,000 | 54,381,745 | 34,648,255 | 61 |
| Connectivity | 300,000 | - | 300,000 | 285,635 | 14,365 | 95 |
| Payment Ecos | 7,700,000 | - | 7,700,000 | 1,572,000 | 6,128,000 | 20 |
| Project imp. | 6,770,000 | - | 6,770,000 | 3,987,694 | 2,782,306 | 59 |
| Monitoring & E | 5,200,000 | - | 5,200,000 | 1,800,820 | 3,399,180 | 35 |
| Counterpart Fun. | 30,000,000 | - | 30,000,000 | 28,943,916 | 1,056,083 | 96 |
| Total payments | 276,100,000 | | 276,100,000 | 222,422,788 | 53,677,211 | |

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

30th Sept 2021 and signed by:


 Director General


 Project Coordinator


 Project Accountant

ICPAK Member No. 6324

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 Public Sector Accounting Standards Board (PSASB).

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

10.3 Reporting entity

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

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

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

(i) Transfer from the Exchequer

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

(ii) External Assistance

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

(iii) Other receipts

There were no other receipts during the period under review

(b) Donations and grants

There were no donations and grants during the audit period.

(c) Proceeds from borrowing

There were no proceeds from borrowings during the year

(d) Undrawn external assistance

There was no undrawn external assistance during the year

(e) 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 to employees

There were no Salaries and wages, allowances, statutory contribution for employees during the year

ii. Use of goods and services

Payment for goods and services are reported as per note 5 to 12

iii. Interest on borrowing

There were no borrowings during the year

iv. Repayment of borrowing

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

V. Acquisition of fixed assets

Fixed assets acquired during the year are amounted to Kshs 3,174,315. See annex1 Page 13-14

(f) In kind donations

There were no donations in kind during the year

(g) Cash and cash equivalents

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

(h) Accounts receivable

There were no imprests advanced to authorised public officers during the year under review.

(i) Contingent Assets

There were no contingent liabilities during the year.

(j) Pending bills

There were no pending bills outstanding at the end of the financial year.

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or past years.

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

A high-level assessment of the project's actual performance against the comparable budget for the financial year under review has been included in an annex 2 to these financial statements.

(l) Third party payments

There were no third-party payments during the year

(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 (Kshs).

(n) Comparative figures

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

(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 30 June 2021.

(p) Errors

There was no material error in the prior period

11. NOTES TO THE FINANCIAL STATEMENT

1. Receipts from Government of Kenya

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

| | 2020/2021 | 2019/2020 | Cumulative to date |
|--------------|------------------|-------------------|--------------------|
| | Kshs | Kshs | Kshs |
| GoK funds | 7,500,000 | - | 123,500,000 |
| KWS | | 32,740,000 | 32,740,000 |
| Total | 7,500,000 | 32,740,000 | 156,240,000 |

KWS pre-financed the project through the project bank account kshs. 32,740,000 during financial year 2019-2020. The said amounts have been reimbursed in the FY 2020-2021.

2. Proceeds from Domestic and Foreign grants

During the 12 Months to June 30, 2021, there were no domestic and foreign grants received from the donors relating to the project.

3. Loan from external development partners

During the 12 Months to June 30, 2021, the service received Kshs. 247,417,330 from external development partners relating to the project. The cumulative amount received as at 30th June 2021 is Kshs 947,950,130

4. Miscellaneous receipts

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

| | 2020/2021 | 2019/2020 | Cumulative to date |
|-----------------|---------------|---------------|--------------------|
| | Kshs | Kshs | Kshs |
| Interest income | 2,998 | 66,957 | 37,311,410 |
| Other receipts | 80,587 | - | 80,587 |
| Total | 83,585 | 66,957 | 37,394,995 |

5. Policy and legislative framework

| Sub component | FY 2020/2021 | FY 2019/2020 |
|------------------|------------------|----------------|
| Tourism Facility | 3,410,511 | - |
| Climate Change | 598,930 | 460,932 |
| Total | 4,009,441 | 460,932 |

6. Ecosystem Conservation

| Sub component | FY 2020/2021 | FY 2019/2020 |
|-------------------------------|--------------------|-------------------|
| Fence (national reserve) | 30,501,163 | 2,537,455 |
| KWS Museum | 18,399,685 | - |
| Tourism Accommodation | 9,707,722 | - |
| KWS staff Accommodation | 17,862,686 | 10,664,143 |
| KFS Offices and Housing | 5,414,487 | - |
| Research equipment | 658,150 | - |
| Research funds | | |
| Knowledge Repository | 184,300 | 2,457,100 |
| Training | 179,960 | 449,175 |
| Water borehole rehabilitation | 537,600 | 1,507,759 |
| Roads and Roads Consultancy | 43,995,784 | - |
| Total | 127,441,537 | 17,615,632 |

7. Natural Resource Management

| Sub component | FY 2020/2021 | FY 2019/2020 |
|---------------------------------|-------------------|-------------------|
| Reforestation & Woodlot | 16,369,532 | |
| Harvesting of water | 554,583 | - |
| Bee Keeping | 3,389,500 | 10,478,271 |
| Grazing Mngt & reseeding pilots | 3,432,452 | - |
| | - | - |
| Hydrological structures | 30,635,678 | - |
| Total | 54,381,745 | 10,478,271 |

8. Connectivity

| Sub component | FY 2020/2021 | FY 2019/2020 |
|-----------------------|--------------|--------------|
| Security assessment & | 285,635 | 298,502 |

9. Payments for Ecosystems services

| Sub component | FY 2020/2021 | FY 2019/2020 |
|-------------------------------|------------------|------------------|
| Conservancy framework support | - | |
| Water users meetings and | 1,572,000 | 1,096,000 |
| Total | 1,572,000 | 1,096,000 |

10. Project Implementation

| Sub component | FY 2020/2021 | FY 2019/2020 |
|--|------------------|------------------|
| PIU: Utilities, recurrent cost & utilities | 3,987,694 | 3,731,535 |
| Total | 3,987,694 | 3,731,535 |

11. Monitoring and Evaluation

| | FY 2020/2021 | FY 2019/2020 |
|-----------------|--------------|--------------|
| Mid-term review | 1,800,820 | - |

12. Counterpart Funding

| Sub component | FY 2020/2021 | FY 2019/2020 |
|--------------------------------------|-------------------|-------------------|
| Taxes, Recurrent cost & backstopping | 28,943,916 | 23,254,229 |
| Total | 28,943,916 | 23,254,229 |

13. Social Security Benefits

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

14. Transfers to other government entities

During the financial year under review Kshs 10,261,117 was transferred to KWS operating account. Out of the monies Kshs 7,488,000 and 2,726,110 was transferred to Northern Kenya

Development Project account in Marsabit A/C no 261186879 with a balance of Kshs 47,007 in the operating account.

15. Other grants and transfers and payments

During the 12 months to June 30, 2021, there were no other grants and transfers and payments

16. Cash and cash equivalents carried forward

| | 2020/2021 Kshs | 2019/2020 Kshs |
|----------------------------------|-------------------|-------------------|
| Bank accounts | 18,257 | 180,079 |
| Cash in hand | 18 | 69 |
| Field outstanding imprest | - | - |
| Total | 18,275 | 180,148 |
| Standard Chartered Bank balances | 1,178 | 130,759 |
| Equity bank balances | 17,079 | 49,320 |
| Total | 18,257 | 180,079 |

During the 12 months to June 30, 2021, there were no outstanding imprests and advances.

| 18. Fund balance as at 30th June. | 2020/2021 | 2019/2020 |
|---|----------------------|-----------------------|
| | Kshs | Kshs |
| Opening Balance | 180,148 | 24,308,292 |
| Surplus (deficit) for the year | <u>161,873</u> | <u>(24,128,144)</u> |
| Closing Balance | <u>18,275</u> | <u>180,148</u> |

19 Prior year adjustment

During the 12 months to June 30, 2021, there were no prior year adjustments.

12. Other Important disclosures

1 Pending Accounts payable

During the 12 months to June 30, 2021, there were no pending bills.

2. Pending staff payable

During the 12 months to June 30, 2021, there were no staff accounts payable.

3. Other Pending payables

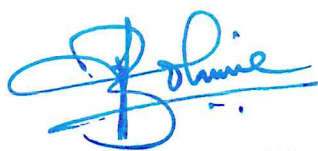
During the 12 months to June 30, 2021, there were other pending bills.

13. PROGRESS ON FOLLOW UP OF AUDITOR'S RECOMMENDATIONS

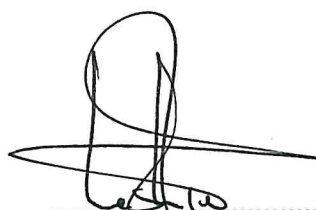
The following is a summary of the issue raised by the external auditor under other matters, and management comments that were provided to the auditor.

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

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30th Sept 2021 and signed by:



Director General



Project Coordinator



Project Accountant

ICPAK Member No. 6324

14. ANNEX I. EXPLANATIONS FOR BUDGET VARIANCES

| COMPONENT | BUDGET | ACTUAL | VARIANCE | % VARIANCE | EXPLANATION |
|--------------------------------------|------------|------------|------------|------------|--|
| Policy & legislative framework | 5,200,000 | 4,009,441 | 1,190,559 | 23 % | Climate change policy not finalised and launched due to the covid pandemic. Stakeholders couldn't meet due to meeting limitations |
| Natural Resource Management | 89,030,000 | 54,381,745 | 34,648,255 | 39 % | Partial payment for hydrological structures was done in the FY 2019/20. the budget was factored in this FY for reimbursement purposes to the KWS main account. |
| Payment for Ecosystem Implementation | 7,700,000 | 1,572,000 | 6,128,000 | 80 % | Partial payment Water users meetings and agreements was done in the FY 2019/20. The budget was factored in this FY for reimbursement purposes to the KWS main account. |
| Project Implementation | 6,770,000 | 3,987,694 | 2,782,306 | 41% | Partial payment for this component was done in the FY 2019/20. The budget was factored in this FY for reimbursement purposes to the KWS main account. |
| Monitoring and Evaluation | 5,200,000 | 1,800,820 | 3,399,190 | 65 % | Money set aside for the commercial audit at the end of the project and also for the project completion report (PCR) consultancy fee. |

15. ANNEX II: DETAILED LIST OF ASSETS BOUGHT IN F/Y 2020/2021

| No | PAYEE | Numbers | Unit Cost | Total Cost |
|--------------|--------------------------------------|---------|------------|---------------------|
| 1 | Bed 3.5x6.2 | 5 | 22,000.00 | 110,000.00 |
| 2 | Bed 4.5x6.2 | 1 | 28,000.00 | 28,000.00 |
| 3 | Bed 4x6.2 | 1 | 27,000.00 | 27,000.00 |
| 4 | Bed 5x6.2 | 4 | 35,000.00 | 140,000.00 |
| 5 | Tables with six seats and mwavuli | 4 | 50,000.00 | 200,000.00 |
| 6 | 4k 65" LG TV UHD | 1 | 120,000.00 | 120,000.00 |
| 7 | Epson Projector EBS - 41 3200 Lumens | 1 | 67,280.00 | 67,280.00 |
| 8 | 180cm x180cm Projector Screen | 1 | 42,920.00 | 42,920.00 |
| 9 | Conference Table | 1 | 93,995.00 | 93,995.00 |
| 10 | Samsung Fridge | 2 | 60,990.00 | 121,980.00 |
| 11 | L Shaped office desk | 4 | 21,300.00 | 85,200.00 |
| 12 | Medium black chair | 8 | 10,500.00 | 84,000.00 |
| 13 | Mid black Chair | 4 | 9,950.00 | 39,800.00 |
| 14 | Banquet Chairs | 70 | 2,800.00 | 196,000.00 |
| 15 | Bistro Metal Table | 6 | 23,500.00 | 141,000.00 |
| 16 | Office Table | 3 | 17,995.00 | 53,985.00 |
| 17 | Office Table executive | 1 | 49,995.00 | 49,995.00 |
| 18 | Link Chair with Cushions | 4 | 13,995.00 | 55,980.00 |
| 19 | Mesh office chair | 8 | 8,500.00 | 68,000.00 |
| 20 | Office chair | 1 | 15,995.00 | 15,995.00 |
| 21 | HP Laptop | 1 | 70,000.00 | 70,000.00 |
| 22 | Sofa Turim | 2 | 199,995.00 | 399,990.00 |
| 23 | Sofa Atlantis | 1 | 159,995.00 | 159,995.00 |
| 24 | Jaipur drawers | 3 | 44,000.00 | 132,000.00 |
| 25 | Jaipur entertainment unit | 3 | 60,000.00 | 180,000.00 |
| 26 | Jaipur Coffee stool | 10 | 13,500.00 | 135,000.00 |
| 27 | Jaipur Dining Table | 2 | 49,000.00 | 98,000.00 |
| 28 | Jaipur Dining chair | 12 | 12,500.00 | 150,000.00 |
| 29 | Loose dining seats | 6 | 2,000.00 | 12,000.00 |
| 30 | Jaipur Coffee Table 5x3 | 2 | 33,600.00 | 67,200.00 |
| 31 | Jaipur Coffee Table 4x3 | 1 | 29,000.00 | 29,000.00 |
| TOTAL | | | | 3,174,315.00 |