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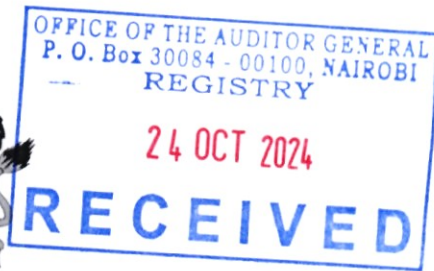
THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE, 2024**

**NATIONAL ENVIRONMENT MANAGEMENT
AUTHORITY**



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

IMPLEMENTING ENTITY: NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY

PROJECT GRANT/CREDIT NUMBER: KEN-PPF-010

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2024

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

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

Annual Report and Financial Statements for the financial year ended June 30, 2024

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

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

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1. Acronyms and Definition of Terms

AGPO	Access to Government Procurement Opportunities
COVID-19	Coronavirus Disease 2019
CPA (K)	Certified Public Accountant (Kenya)
CSR	Corporate Social Responsibility
DEF	Devolved Environmental Functions
ESIA	Environmental Social Impact Assessment
FY	Financial Year
GCF	Green Climate Fund
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
JKUAT	Jomo Kenyatta University of Agriculture and Technology
ISO	International Organization for Standardization
KSHS	Kenya Shillings
MDAs	Ministries, Departments and Agencies
NDMA	National Drought Management Authority
NEMA	National Environment Management Authority
NGO	Non-Governmental Organization
NT	National Treasury
OSHA	Occupational Safety and Health Act
PFM	Public Finance Management.
PPP	Public Private Partnership
PSASB	Public Sector Accounting Standards Board
SOP	Standard Operating Procedures

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

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UNOPS United Nations Office for Project Services

USD United States Dollar

2. Project Information and Overall Performance

2.1 Name and registered office

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

Objective: To build a devolved governance structure for Kenya to enable vulnerable communities’ greater ownership and access to climate finance for adaptation investments to build resilience and adaptive capacity to climate change. The project aimed to support NEMA to undertake requisite stakeholder consultations and associated studies in the development of the full proposal from the concept note ***Building Community Resilience Through Adaptation Investments in Target Counties in Kenya***

Address

The project headquarters offices are at:
Eland House, Popo Road, off Mombasa Road
Nairobi, Kenya

The address of its registered office is:

P.O. Box 67839-00200
NAIROBI

Contacts: The following are the project contacts

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

E-mail: Info@nema.go.ke

Website: www.nema.go.ke

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

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Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	26 th June 2019
Project End Date:	Initial project end date was 26 April 2020 The project has since requested and received 4 No Cost Extensions as outlined below: <ul style="list-style-type: none"> • Amendment No. 1 - 6 months’ extension, from April to October 2020 • Amendment No.2 – 6 Month extension, from October 2020 to April 2021 • Amendment No.3 – 10 months’ extension from April 2021 to February 2022 • Amendment No.4 – 24 months’ extension from February 2022 to February 2024
Project Manager:	Anne Omambia PhD
Project Sponsor:	Green Climate Fund
Grant Management	United Nations Office for Project Services (UNOPS)

2.3 Project Overview

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

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

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<p>Strategic goals of the project</p>	<p>To enhance the resilience and adaptive capacity of vulnerable communities to climate shocks in targeted Counties, under a devolved governance structure.</p>
<p>Summary of Project Strategies for achievement of strategic goals</p>	<p>During the reporting period the KEN-PPF-010 -NEMA – "Devolved climate change governance to strengthen resilience of communities' in target counties", achieved the following:</p> <p>The 4th No Cost Extension was granted in March 2023, the amended project completion date is 25 February 2024.</p> <p>Three consultancies contracted and completed as below;</p> <ol style="list-style-type: none"> a. Development of Environmental and Social Management Framework; Gender Analysis and Associated Gender Action Plan b. Due Diligence and Capacity Assessment of Potential Implementing Entities; And Development of Mechanism for Partnering with Local NGOs, Civil Society, and County Governments. c. Development A Green Climate Funding Proposal in line with GCF Requirements <p>NEMA entered into a partnership with Jomo Kenyatta University of Agriculture and Technology (JKUAT) through a government-to-government engagement process to provide technical expertise in the Undertaking of Project Feasibility Studies in line with GCF Requirements</p>
<p>Other important background information of the project</p>	<p>NEMA as a Direct Access Entity is responsible to lead the implementation of the PPF grant. NEMA will be responsible for the overall management and supervision of each of the funded activity areas in line with its own internal rules, policies and procedures. Specifically, NEMA was responsible for the administration of the grant in accordance with GCF's Operational Policies and Guidelines as well as NEMA's own standards and procedures</p>

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

Annual Report and Financial Statements for the financial year ended June 30, 2024

	<p>The project focussed on interventions in the water sector through targeted investments. The Preparation support will be used to finance:</p> <ul style="list-style-type: none"> (i) The identification and selection of priority adaptation investments in targeted counties through extensive stakeholder consultations; (ii) The required engineering studies and technical assessments to design the identified adaptation investments; (iii) The identification and capacity assessment of potential implementing partners at the local-level; and (iv) The required studies and plans for the Funding Proposal including – a feasibility study; environmental and impact assessment (ESIA) and associated Environmental Management Plan (EMP), gender analysis and gender action plan; and financial model and economic analysis.
<p>Areas that the project was formed to intervene</p>	<p>The Project was formed to address the adverse impacts of climate change that led Kenya to enact an overarching Climate Change Act (2016), which puts into place structures to coordinate climate change activities from the national to the county levels. County governments remain key agents in bringing transformation of communities to enhance their resilience and ensure sustainable development. Still, vulnerability to climate change is quite high and will require a systematic process to reduce the impacts of climate change. This project develops a proposal for the target counties aimed at building community resilience to climate shocks by enabling direct access to climate finance at the sub-national level (county).</p>
<p>Project duration</p>	<p>1 Year</p>

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

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2.4 Bankers

The following is the banker for the current year:

Kenya Commercial Bank Ltd (KCB)

Gateway House Branch

P.O. Box 27618-00806, Nairobi

Bank Details: Account Name; NEMA Adaptation Fund Kshs Account

Account No. 1218639164

2.5 Independent Auditor

The project is audited by:

Office of Auditor-General

P.O. Box 30084-00100

Nairobi, Kenya

2.6 Roles and Responsibilities

A list of officers involved with the project including the project manager, their positions and their roles is indicated below:

Mamo B Mamo,EBS	Director General	Masters Environmental Education	Overall programme direction and leadership
CPA Kennedy Ochuka	Director Corporate Services	MBA, CPA(K)	Overall programme financial management

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Anne Omambia, PhD	NIE Coordinator	PhD in Environmental Engineering and Climate Change	Overall Programme Coordination
Mr. John Wafula	Deputy NIE Coordinator	Masters EPM	Program management
Ms Sarah Muthoni	Knowledge Management Officer	Masters Community Development	Knowledge management
Mr. Harron Wanjohi	Principal Env. Planning Officer	Masters EPM	Support program management
CPA Peter Obiere	NIE Accountant	MBM, BBM, CPA(K)	Financial Management and accounting

2.7 Funding summary


The Project was initially for a duration of one year from 26th June 2019 to 26th October 2020 with an approved budget of USD 371,200 equivalent to Kshs. 36,841,207. However, due to COVID-19 pandemic, the donor granted a no cost extension to February 2022. An additional no cost extension of 14 months to February 2024 was granted. The Green Climate Fund has disbursed USD 352,640 equivalent to Kshs 34,999,147.00 as highlighted in the table below:

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Below is the funding summary:

A. Source of Funds



(i) Grant						
Green Climate Fund	371,200	36,841,207	352,640	34,999,147	18,560	1,842,060
Total	371,200	36,841,207	352,640	34,999,147	18,560	1,842,060

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Annual Report and Financial Statements for the financial year ended June 30, 2024

Project information and overall performance (continued)

B. Application of Funds



(i)	Grant						
Green Fund	Climate	352,640	34,999,147	333,518	33,101,545	19,122	1,897,602
Total		352,640	34,999,147	333,518	33,101,545	19,122	1,897,602

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

Annual Report and Financial Statements for the financial year ended June 30, 2024

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

- i) Budget Performance against actual amounts for the current year and for cumulative to-date

The Project was initially for a duration of one year from 26th June 2019 to 26th October 2020 with an approved budget of USD 371,200 equivalent to Kshs. 36,841,207. However, due to COVID-19 pandemic the donor has granted a no cost extension to February 2022 and subsequently to February 2024. The Green Climate Fund has disbursed USD 352,640 equivalent to Kshs 34,999,147 on the 26th June 2019 and NEMA has spent Kshs. 33,101,545 cumulatively representing an absorption rate of 95%

- ii) Physical progress based on outputs and outcomes since project commencement.

No.	Deliverable	Status	Remarks
i.	Stakeholder consultations (needed to scope adaptation investments and narrow geographic targets): workshops at National, county, and community level	<ul style="list-style-type: none"> • 4 County level community/stakeholders meetings held in target counties – Narok, Baringo, Isiolo, Tharaka Nithi • 1 (one) Re-initialization meeting for the project activities with the consultants • 1(one) stakeholder technical consultative workshop held and Preliminary Proposed Adaptation investments and sites prioritised • One project design workshop with County level technical stakeholders (project design teams) held • One validation meeting with County level stakeholders from targeted counties held • One validation meeting with national level stakeholders done • 2 meetings with consultants and NEMA technical team for progress presentation, review and feedback held 	Stakeholders consultations at community, county and national level done

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ii.	Comprehensive feasibility study of the project drafted—including financial model and economic analysis.	<ul style="list-style-type: none"> • Comprehensive Feasibility studies including financial model and economic analysis; climate services and climate rationale done • Proposed Adaptation investments and their locations identified; • Technical designs of proposed investments including bill of quantities done 	
iii.	Due-diligence and capacity assessment of potential implementing entities	<ul style="list-style-type: none"> • Report on Due Diligence and Capacity Assessment of Potential Implementing Entities; and Development of Mechanism for Partnering with Local NGOs, Civil Society, and County Governments, done 	
iv.	Development of mechanism for partnering with local NGOs, Civil Society, and County governments		
v.	Preparation of Environmental Social Impact Assessment (ESIA) and associated Environmental and Social management plan, including Hydrological Survey	<ul style="list-style-type: none"> • Project Environmental and Social Management Framework (ESMF) finalized and approved • Hydrological surveys for proposed adaptation investments undertaken 	
vi.	Preparation of Gender Analysis and associated Gender Action Plan	<ul style="list-style-type: none"> • Gender analysis and associated gender action plan for proposed investments finalized • Gender considerations integrated in the final proposal 	
vii.	Draft funding proposal and associated annexes	<ul style="list-style-type: none"> • Final project proposal titled Building Community Resilience Through 	

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Annual Report and Financial Statements for the financial year ended June 30, 2024

			Adaptation Investments in Target Counties in Kenya done	
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iii) Absorption rate for each year since the project commencement

FY	Budget	Expenditure	Absorption Rate
2019-2020	34,999,147	733,609	2.1%
2020-2021	34,265,538	2,877,553	8.4%
2021-2022	31,387,985	4,647,291	14.8%
2022-2023	26,740,694	1,540,000	5.7%
2023-2024	25,200,694	23,303,092	92.5%

iv) The implementation challenges and the recommended steps

- The formalization of the government to government partnership between Jomo Kenyatta University of Agriculture and Technology (JKUAT) to provide technical expertise in the Undertaking of Project Feasibility Studies in line with GCF Requirements was approved . The lengthy process delayed commencement of field activities. The process is now completed and the field studies are now completed
- NEMA has since submitted 3 interim project progress reports on the 26 January 2020, 15th December 2020 and 25 July 2021 respectively. The next report is due in August 2023.The gap in the reporting was due to the delayed approval process for the requested 4th No Cost Extension that was received up to February 2024.

Mitigation

- To avoid further loss of time, NEMA engaged Jomo Kenyatta University of Agriculture and Technology (JKUAT) to undertake the assignment on Feasibility study of the project through a government to government procurement process.

2.9 Summary of Project Compliance:

The National Treasury has given authority to open GCF Bank account and the GCF Bank account has been opened

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3. Statement of Performance against Project’s Predetermined Objectives

Introduction

The project was able to achieve the pre-determined project objective:

- a) Stakeholder consultations (needed to scope adaptation investments and narrow geographic targets): workshops at National, county, and community level
- b) Comprehensive feasibility study of the project drafted– including financial model and economic analysis.
- c) Due-diligence and capacity assessment of potential implementing entities
- d) Development of mechanism for partnering with local NGOs, Civil Society, and County Governments
- f) Preparation of Gender Analysis and associated Gender Action Plan
- g) Draft funding proposal and associated annexes.

Progress on attainment of strategic development objectives

Below we provide the progress on attaining the stated objectives:

Activities	Output	Milestones and deliverables achieved	Remarks
Activity 1 Stakeholder consultations (needed to scope adaptation investments and narrow geographic targets): workshops at National, county, and community level	Six (6) stakeholder workshops a) 4 at the county level, b) 1 with national level stakeholders c) 1 workshop with NEMA field staff	1. 4 County level community/stakeholders meetings held in target counties – Narok, Baringo, Isiolo, Tharaka Nithi 2. 1 (one) Re-initialization meeting for the project activities with the consultants 3. 1(one) stakeholder technical consultative workshop held and Preliminary Proposed Adaptation investments and sites prioritised 4. One project design workshop with County level technical	

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			<p>5. stakeholders (project design teams) held One validation meeting with County level stakeholders from targeted counties held</p> <p>6. One validation meeting with national level stakeholders done</p> <p>7. 2 meetings with consultants and NEMA technical team for progress presentation, review and feedback held</p>	
<p>Activity 2 Comprehensive feasibility study of the project drafted—including financial model and economic analysis.</p>	<p>A Feasibility report</p>		<p>Comprehensive Feasibility studies including financial model and economic analysis; climate services and climate rationale done</p> <p>Proposed Adaptation investments and their locations identified;</p> <p>Technical designs of proposed investments including bill of quantities done</p>	
<p>Activity 3 Due-diligence and capacity assessment of potential implementing entities</p>	<p>1. Capacity assessment report Identification of Executing entities</p>		<p>1. Report on Due Diligence and Capacity Assessment of Potential Implementing Entities; and Development of Mechanism for Partnering with Local NGOs, Civil Society,</p>	<p>Combined with report on development of mechanism for partnering with local NGOs, Civil society and County Governments</p>

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		and County Governments, submitted and approved	
Activity 4 Development of mechanism for partnering with local NGOs, Civil Society, and County Governments	A report on structured coordination mechanism for partnering with Civil Society and County Governments	1. Report on Due Diligence and Capacity Assessment of Potential Implementing Entities; and Development of Mechanism for Partnering with Local NGOs, Civil Society, and County Governments, submitted and approved	Report combined with due diligence/capacity assessment report
Activity 5 Environmental, social, and gender studies	1. An ESIA report Hydrogeological surveys	1. Project Environmental and Social Management Framework (ESMF) finalized and approved 2. Hydrological surveys for proposed adaptation investments undertaken	
Activity 6 Preparation of Gender Analysis and associated Gender Action Plan	1. Gender analysis report 2. Gender Action Plan 3. Engendered funding proposal	1. Gender analysis and associated gender action plan for proposed investments finalized 2. Gender considerations integrated in the final proposal	

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

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<p>Activity 7 Draft funding proposal and associated annexes</p>	<p>1. A Funding proposal in line with GCF requirements</p>	<p>2. Final project proposal titled <i>Building Community Resilience Through Adaptation Investments in Target Counties in Kenya</i> done</p>	
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Nema-GCF Project Preparation Facility: “Devolved Climate Change Governance to Strengthen Resilience of Communities’ in Target Counties”

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4. Environmental and Sustainability reporting

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

i. Sustainability strategy and profile

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

ii. Environmental performance

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

Policy Objectives

- Guide NEMA in mainstreaming Environmental sustainability into its operations
- Customize internal operation of the Authority in order to reduce its Carbon footprints and to contribute to greening NEMA.

Other milestones the Authority has made in environmental sustainability include;

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

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1. Reviewing of EMCA, 1999 so as to strengthen the regulatory framework for Environmental Management,
2. Implementation of the pollution control strategy for Nairobi River Basin

iii. Employee welfare

NEMA has human resource policies and procedures manual which guides on the recruitment process from vacancy identification to new hire induction. The policy takes into account the gender, women and disability considerations. On careers, we have a progressive career guideline. Annual staff performance appraisals are conducted and rewards and sanctions determined. Capacity building of staff is through formal and on job trainings. NEMA is working on safety policy which will be in compliance with Occupational Safety and Health Act of 2007, (OSHA)

iv. Market place practices-

a) Responsible Supply chain and supplier relations-

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

b) Responsible ethical practices

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

c) Regulatory impact assessment

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

- v. Community Engagements** The Authority's CSR program is focused on creating and maintaining a strong bond with the community and its stakeholders.

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

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5. Statement of Project Management responsibilities

The Director General and the **Project Coordinator** for GCF Project Preparation Facility: “Devolved climate change governance to strengthen resilience of communities’ in target counties” are responsible for the preparation and presentation of the Project’s financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2024

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 (v) Making accounting estimates that are reasonable in the circumstances.

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

The Director General and the Project Coordinator for GCF Project Preparation Facility: “Devolved climate change governance to strengthen resilience of communities’ in target counties” are of the opinion that the Project’s financial statements give a true and fair view of the state of Project’s transactions during the financial year ended June 30, 2024, and of the Project’s financial position as at that date. The Director General and the Project Coordinator for GCF Project Preparation Facility: “Devolved climate change governance to strengthen resilience of communities’ in target counties” further confirm the completeness of the accounting records maintained for the Project, which have been

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

Annual Report and Financial Statements for the financial year ended June 30, 2024

relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

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

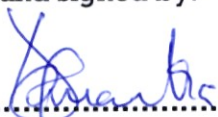
Approval of the Project Financial Statements

The Project financial statements were approved by the Director General and the Project Coordinator for GCF Project Preparation Facility: “Devolved climate change governance to strengthen resilience of communities’ in target counties” on 27th September 2024 and signed by:




.....

Mamo B. Mamo, EBS
Director General



.....

Anne Omambia, PhD
Programme Coordinator



.....

CPA Kennedy Ochuka
Director Corporate Services
ICPAK Member No: 3872

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON NEMA-GCF PROJECT PREPARATION FACILITY: "DEVOLVED CLIMATE CHANGE GOVERNANCE TO STRENGTHEN RESILIENCE OF COMMUNITIES IN TARGET COUNTIES" - CREDIT NO.KEN-PPF-010 FOR THE YEAR ENDED 30 JUNE, 2024 - 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 statement;
- B. Report on the Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on the 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Unmodified Opinion indicates the books of accounts and underlying records agree with the financial statements and that no materials misstatements were found. The financial statements present fairly, in all material respects the operations of the entity. An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, is effective in the use of resources, or that its internal control, risk management and governance systems are properly designed and working effectively in the financial year under review.

Report of the Auditor-General on NEMA-GCF Project Preparation Facility: "Devolved Climate Change Governance to Strengthen Resilience of Communities in Target Counties"- Credit No.KEN-PPF-010 for the year ended 30 June, 2024 - National Environment Management Authority

The Unmodified Opinion on the report on the Financial Statements should be read together with the report on the Lawfulness and Effectiveness in the Use of Public Resources, and the report on the Effectiveness of Internal Controls, Risk Management and Governance.

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities 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 of NEMA – GCF Project Preparation Facility: “Devolved Climate Change Governance to Strengthen Resilience of Communities in Target Counties” set out on pages 1 to 21, which comprise of the statement of financial assets and liabilities as at 30 June, 2024 and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of NEMA – GCF Project Preparation Facility: “Devolved Climate Change Governance to Strengthen Resilience of Communities in Target Counties” as at 30 June, 2024 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 Project Cooperation Agreement dated 20 May, 2019 between United Nations Office for Project Service and National Environment Management Authority and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the NEMA – GCF Project Preparation Facility: “Devolved Climate Change Governance to Strengthen Resilience of Communities in Target Counties” Management in accordance with ISSAI 130 on the 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

Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June, 2024 reflects final receipts budget and actual on comparable basis of Kshs.25,200,694 and Kshs.23,303,092 respectively, resulting to an under-funding of Kshs.1,897,602 or 8% of the budget. Similarly, the Project spent Kshs.23,303,092 against budgeted amount of Kshs.25,200,694 resulting to an under-expenditure of Kshs.1,897,602 or 8% of the budget.

The under-funding affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, 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

Unresolved Prior Year Matter

In the audit report of the previous year, one issue was raised under the Report on Financial Statements, However, Management had not resolved the issue as at 30 June, 2024.

Other Information

Conclusion

The Management is responsible for the other information set out on page iv to xxii which comprise of Project Information and Overall Performance, Statement of Performance against Project's Predetermined Objectives, Environmental and Sustainability reporting, Statement of Project Management responsibilities. The Other Information does not include the financial statements and my audit report thereon.

Basis for Conclusion

In connection with my audit on the Devolved Climate Change Governance to strengthen resilience of Communities in target Counties financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I

conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON THE LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Failure to Remit Back Project's Bank Balance

Review of the Financing Agreement reflects that the Project was extended and scheduled to end in February, 2024. As part of closure procedures, the Project's fund balance was expected to be refunded back to the donor. However, the project balance of Kshs.1,897,602 remained un surrendered to the donor despite the closure of project on 24 February, 2024.

In the circumstances, Management was in breach of part 3.6 of the Project Cooperation Agreement.

The audit was conducted in accordance with ISSAIs 3000 and 4000. The standards require 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 comply 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 THE 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.

The audit was conducted in accordance with ISSAIs 2315 and 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, 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 United Nations Office for Project Services Cooperation Agreement Project No. KEN-PPF-010 dated 20 May, 2019 between United Nations Office for Project Services and National Environment Management Authority. 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. Adequate accounting records have been kept by the Project, so far as it appears from the examination of those records; and,
- iii. The Project's financial statements agree with the accounting records and returns.

Responsibilities of the 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 controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention 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 comply with the authorities which govern them and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Project's financial reporting process, reviewing the effectiveness of how Management monitors compliance

with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the INTOSAI Framework of Professional Pronouncements (IFPP). The Framework requires that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 November, 2024

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

Annual Report and Financial Statements for the financial year ended June 30, 2024

7. Statement of Receipts and Payments for the Year Ended 30th June 2024

	Note	2023-2024			2022-2023			Cumulative to-date (From inception)	
		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.	USD
Receipts									
Proceeds from domestic and foreign grants	1	-	-	-	-	-	-	34,999,147	352,640
Total receipts		-	-	-	-	-	-	34,999,147	352,640
Payments									
Purchase of goods and services	2	23,303,092		23,303,092	1,540,000		1,540,000	33,101,545	333,518
Transfers to other					-		-		

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

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government entities									
Total payments		23,303,092		23,303,092	1,540,000		1,540,000	33,101,545	333,518
Surplus/ (deficit)		(23,303,092)		(23,303,092)	(1,540,000)		(1,540,000)	1,897,602	19,122



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Mamo B. Mamo, EBS
Director General



.....
Anne Omambia, PhD
Programme Coordinator



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

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

Annual Report and Financial Statements for the financial year ended June 30, 2024

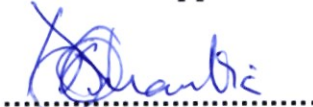
8. Statement of Financial Assets and Liabilities as at 30th June 2024

Description	Note	2023-2024		2022-2023	
		Kshs	USD	Kshs	USD
Financial Assets					
Cash and Cash equivalents	3	1,897,602	19,122	25,200,694	253,914
Total Financial Assets (A)		1,897,602	19,122	25,200,694	253,914
Financial Liabilities					
Third party Deposits and Retention		-		-	
Total Financial Liabilities (B)		-		-	
Net Financial Assets (A-B)		1,897,602	19,122	25,200,694	253,914
Represented By					
Fund Balance B/fwd.	4	25,200,694	253,914	26,740,694	269,430
Prior Year adjustments		-		-	
Surplus/(Deficit) for the Year		(23,303,092)	(234,792)	(1,540,000)	15,517
Net Financial Assets		1,897,602	19,122	25,200,694	253,914

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 27th September 2024 and signed by:



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Mamo B. Mamo, EBS
Director General



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Anne Omambia, PhD
Programme Coordinator



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

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

Annual Report and Financial Statements for the financial year ended June 30, 2024

9. Statement of Cash flows for the year ended 30th June 2024

Description	Note	2023-2024		2022-2023	
		Kshs	USD	Kshs	USD
Cashflow from operating activities					
Receipts					
Proceeds from domestic and foreign grants	1	-	-	-	-
Total receipts		-	-	-	-
Payments					
Purchase of goods and services	2	(23,303,092)	(234,792)	(1,540,000)	(15,517)
Transfers to other government entities				-	-
Total Payments		(23,303,092)	(234,792)	(1,540,000)	(15,517)
Net receipts/(payments)		(23,303,092)	(234,792)	(1,540,000)	(15,517)
Adjustments during the year		-			
Net cash flow from operating activities		(23,303,092)	(234,792)	(1,540,000)	(15,517)
Net cash flow from financing activities		-		-	
Net increase in cash and cash equivalents		(23,309,092)	(234,792)	(1,540,000)	(15,517)
Cash & cash equivalent at beginning of the year	3	25,200,694	253,914	26,740,694	269,430
Cash and cash equivalent at end of the year		1,897,602	19,122	25,200,694	253,914

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

Annual Report and Financial Statements for the financial year ended June 30, 2024

10. Statement of Comparison of Budget and Actual Amounts for the Year ended 30th June 2024

	Kshs	Kshs	Kshs	Kshs	Kshs	
Proceeds from domestic and foreign grants (Bal.bf)	25,200,694	-	25,200,694	23,303,092	1,897,602	92%
Total Receipts	25,200,694	-	25,200,694	23,303,092	1,897,602	
Payments						
Purchase of goods and services	25,200,694	-	25,200,694	23,303,092	1,897,602	92%
Transfers to other government entities	-	-	-	-	-	-
Total Payments	25,200,694		25,200,694	23,303,092	1,897,602	92%
Surplus or Deficit						

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

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

Annual Report and Financial Statements for the financial year ended June 30, 2024

11. Significant Accounting Policies

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

a) 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.

b) Reporting entity

The financial statements are for *Nema-GCF Project Preparation Facility: “Devolved Climate Change Governance to Strengthen Resilience of Communities’ in Target Counties* under the National Environment Management Authority. The financial statements are for the reporting entity *Nema-GCF Project Preparation Facility: “Devolved Climate Change Governance to Strengthen Resilience of Communities’ in Target Counties* as required by Section 81/ Section 164 of the PFM Act, 2012.

c) Reporting currency

The financial statements are presented in Kenya Shillings (Kshs), the project's functional and reporting currency. All values are rounded to the nearest Kenya Shilling.

d) Recognition of receipts

Nema-GCF Project Preparation Facility: “Devolved Climate Change Governance to Strengthen Resilience of Communities’ in Target Counties recognizes all receipts from various sources when an event occurs, and the related cash is received

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i) Transfers from the Exchequer

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

ii) External Assistance

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

iii) Other receipts

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

iv) Donations and grants

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when payment advice is received by the recipient entity or by the beneficiary. In the case of a grant/donation in kind, such grants are recorded upon receipt of the grant item and its value determined. The transaction date is the value date indicated on the payment advice.

v) Proceeds from borrowing.

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

vi) Undrawn external assistance

These are loans and grants at the reporting date 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

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

Annual Report and Financial Statements for the financial year ended June 30, 2024

to continue to completion. The funding summary analyzes the Project’s undrawn external assistance

e) Recognition of payments

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

i. Compensation to employees

Salaries, wages, Allowances, and Statutory Contributions for employees are recognized when the compensation is paid.

ii. Use of goods and services

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

iii. Interest on borrowing

Borrowing costs that include interest are recognized as payment in the period in which they incur and paid for.

iv. Repayment of borrowing (principal amount)

Repayment of the principal amount of borrowing is recognized as payment in the period in which the repayment is made. The debt stock is disclosed as an annexure to the consolidated financial statements.

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

Annual Report and Financial Statements for the financial year ended June 30, 2024

Significant Accounting Policies (continued)

v. Acquisition of fixed assets

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

f) In-kind donations

In-kind contributions are donations 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.

g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

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

Annual Report and Financial Statements for the financial year ended June 30, 2024

Significant Accounting Policies (Continued)

h) Restriction on cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits.

i) Imprests and Advances

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

j) Contingent Liabilities

A contingent liability is:

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

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

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. **Annex 6** of this financial statement is a register of the contingent liabilities in the year.

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

Annual Report and Financial Statements for the financial year ended June 30, 2024

Significant Accounting Policies (Continued)

k) Contingent Assets

National Environment Management Authority (NEMA) 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 NEMA in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset’s value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

l) 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 are recorded as ‘memorandum’ or ‘off-balance.’ When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

m) 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. A high-level assessment of the Project’s actual performance against the comparable

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

Annual Report and Financial Statements for the financial year ended June 30, 2024

budget for the financial year/period under review has been *included in an annex to these financial statements.*

Significant Accounting Policies (Continued)

n) 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.

o) 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 functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of receipts and payments.

p) 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.

q) 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, 2024

r) Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s).

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

Annual Report and Financial Statements for the financial year ended June 30, 2024

12. Notes to the Financial Statements

1. Proceeds From Domestic and Foreign Grants

During the financial period to 30 June 2024 we did not receive any grants from donors as detailed in the table below:

Name of Donor	Date received	2023-2024					2022-2023	Cumulative to date
		Amount received in donor currency	Grants received in cash	Grants received as direct payment*	Grants received in kind	Total amount	Total Amount	
			Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Grants Received from Multilateral Donors (International Organizations)								
Green Climate Fund Secretariat	-	-	-	-	-	-		34,999,147
Total								34,999,147

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

Annual Report and Financial Statements for the financial year ended June 30, 2024

Notes to the Financial Statements (Continued)

2. Purchase of Goods and Services

Description	2023-2024			2022-2023	
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	Cumulative to-date
	Kshs	Kshs	Kshs	Kshs	Kshs
Domestic travel and subsistence	7,548,969	-	7,548,969	1,200,000	12,043,669
Printing, advertising, and information supplies	-	-	-	-	407,122
Hospitality supplies and services	1,280,116	-	1,280,116	340,000	2,189,186
Specialized materials and services	14,474,007	-	14,474,006	-	18,461,568
Total	<u>23,303,092</u>	-	<u>23,303,092</u>	<u>1,540,000</u>	<u>33,101,545</u>

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

Annual Report and Financial Statements for the financial year ended June 30, 2024

Notes to the Financial Statements (Continued)

3. Cash And Cash equivalents

Bank accounts (Note 3A)	1,897,602	28,200,694
Cash in hand	-	-
Cash equivalents (short-term deposits) (Note 11C)	-	-
Total	<u>1,897,602</u>	<u>28,200,694</u>

Nema-GCF Project Preparation Facility: "Devolved Climate Change Governance to Strengthen Resilience of Communities' in Target Counties" is domiciled at the NEMA headquarters only and the bank account is as below:

3. A Bank Accounts

Project Bank Accounts

Local Currency Accounts		
Kenya Commercial Bank [A/c No 1218639164]	1,897,602	28,200,694
Total bank account balances	1,897,602	<u>28,200,694</u>

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

Annual Report and Financial Statements for the financial year ended June 30, 2024

4. Fund Balance Brought Forward

Bank accounts	1,897,602	25,200,694
Total	1,897,602	25,200,694

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

Annual Report and Financial Statements for the financial year ended June 30, 2024

13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Unsupported Cash and cash Equivalents	The statement of financial assets reflects cash and cash equivalents balance of ksh.25,200,693, as disclosed in Note 3A to the financial statements. However, the balance was not supported by a cash book, bank statements, bank reconciliation statements and or board of survey report. In the circumstances, the accuracy and completeness of the cash and bank balance of	Devolved climate Governance grant is operationalized from Adaptation Fund bank account and hence the bank statements and reconciliations available are for Adaptation Fund. The management reconciles the accounts and prepares schedules to finalize	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	ksh25,200,693 could not be confirmed.	financial statements. Further, The National Treasury has now granted NEMA the authority to open the GCF bank account, which has now been opened at KCB , Gateway Branch		
Budgetary Control and Performance	The statement of comparison of budget and actual amounts reflects final income budget and actual amounts on comparable basis of Ksh. 26,740,694 and	The contract for feasibility studies which had a technical issue affected all other consultancies and nothing much could be done under the project, hence	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	<p>Ksh. 1,540,000 respectively, resulting to under collection of Ksh.25,200,694 or 94% of the budget. The variance of Ksh.25,200,694 was not explained. Similarly, the Project spent Ksh. 1,540,000 against an approved budgeted of Ksh.26,740,694, resulting to a budget under-absorption of Kshs.25,200,694 or 94% of the budget.</p>	<p>no or little expenditure. The project has since entered into partnership with JKUAT to undertake the feasibility studies and KUAT has completed the work . All the pending activities/consultancies have been completed and paid</p>		

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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)
	<p>In view of the budget implementation gaps described above, the budget under-absorption may have resulted in unimplemented planned activities which may have affected provision of services to the public. In addition, the Project might not absorb all the funds as projected by the end of the contract period, thus denying services to the</p>			

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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)
	intended beneficiaries of the Project.			



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MAMO B. MAMO
Director General



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Anne Omambia , PhD
Project Coordinator

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Annex 2: Variance explanations - Comparative Budget and Actual Amounts for Current 2024

Receipts/Payments Item	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on variance (below 90% and above 100%)
	a	b	c=a-b	d=b/a%	e=c-d
	Kshs	Kshs	Kshs	Kshs	
Proceeds from domestic and foreign grants (Bal.bf)	25,200,694	23,303,092	1,897,602	92%	
Total Receipts	25,200,694	23,303,092	1,897,602		
Payments					
Purchase of goods and services	25,200,694	23,303,092	1,897,602	92%	
Total Payments	25,200,694	23,303,092	1,897,602	92%	

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Annex 3: Reconciliation of inter-entity transfers

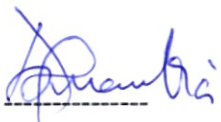
The project does not receive any funding from the Ministry

Project Name:			
Break down of transfers from the State Department of			
a.	Government Counterpart funding		
		Bank Statement Date	Amount (Kshs)
			Indicate the FY to which the amounts relate
		Total	
B.	Direct payments		
		Bank Statement Date	
		Total	
C.	Others		
		Bank Statement Date	
		Total	
		Total (A+B+C)	


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Project Coordinator
NEMA GCF Project Preparatory Facility

Sign -----

Head of Accounting Unit
NEMA


Sign-----

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Annex 4: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
NEMA GCF Project Preparation Facility	Devolved Climate Change governance to strengthen resilience of communities in target counties	To build devolved governance structure for Kenya to enable vulnerable communities greater ownership and access to Climate finance for adaptation investments	Development of GCF Funding proposal to be submitted to Green Climate Fund Secretariat for Funding			4,220,480	19,082,612	Green Climate Fund	

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Annex 5: Reporting Disaster Management Expenditure

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

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Annex 6: Other Support Documents

1. Bank Reconciliations statement as at 30th June 2024