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REPORT

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THE AUDITOR-GENERAL

ON

**GREEN CLIMATE FUND READINESS
PROJECT (GRANT NO. KEN-RS-004)**

**FOR THE YEAR ENDED
30 JUNE, 2022**

THE NATIONAL TREASURY

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

23 OCT 2024

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PROJECT NAME: GREEN CLIMATE FUND READINESS PROJECT

IMPLEMENTING ENTITY: THE NATIONAL TREASURY

PROJECT GRANT NUMBER: KEN-RS-004

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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

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1. Acronyms and Definition of Terms

CBK	Central Bank of Kenya
CF&GEU	Climate Finance & Green Economy Unit
GCF	Green Climate Fund
ICPAK	Institute of Certified Public Accountants of Kenya
IMF	International Monetary Fund
IMTC	Inter-Ministerial Technical Committee
IPSAS	International Public Sector Accounting Standards
NDA	National Designated Authority
NDC	Nationally Determined Contribution
NDE	National Designated Entity
NCCAP	National Climate Change Action Plan
CT	County Treasury
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
WB	World Bank
Comparative FY	Financial year preceding the current financial year.

2. Project Information and Overall Performance

2.1 Name and registered office

Name

The project's official name is Green Climate Fund Readiness Project.

Objective

The key objective of the project is to bolster Kenya's readiness to access and receive climate financing. The readiness support is intended to develop strategic frameworks, including preparation of a Country Programme, support for accreditation of direct access entities, enhance the institutional capacity of the National Designated Authority (NDA) to effectively coordinate with line ministries, counties, private sector, civil society organizations and development partners on accessing the GCF resources, and effective stakeholder engagement processes.

Address

The project office is The National Treasury (Climate Finance & Green Economy Unit) situated in 7th Floor Reinsurance Plaza, Taifa Road, Nairobi

Contacts: The following are the project contacts:

The National Treasury

P.O. Box: 30007-00100 NAIROBI

Telephone: +254 20 2252299

E-mail: pstnt@treasury.go.ke; odhengo@gmail.com

Website: <https://www.treasury.go.ke/>

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	10 - 03 - 2021
Project End Date:	09 - 09 - 2024
Project Coordinator:	Mr. Peter Odhengo
Project Sponsor:	UN Green Climate Fund (GCF)

2.3 Project Overview

Line Ministry	The National Treasury
Project Number	KEN-RS-004
Strategic goals of the project	<p>The strategic goals of the project are as follows:</p> <ul style="list-style-type: none"> (i) Strengthen institutional capacity and coordination mechanisms on GCF and climate finance in Kenya. (ii) Enhance Country Programming process. (iii) Realize direct access through accreditation support. (iv) Strengthen climate finance strategies and project pipeline development.
Summary of Project Strategies for achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> (i) Establishment of effective inter-institutional coordination mechanism for GCF in Kenya (ii) Establishment and implementation of a No objection procedure for funding proposals and Project Preparation Facility (PPF) applications (iii) Bilateral agreements on privileges and immunities between Kenya and the GCF. (iv) Enhanced Monitoring and verification systems for climate finance flows in the Country (v) Effective coordination mechanism between NDA and National Designated Entity (NDE) (vi) Stakeholder engagements through in-country training and awareness creation (vii) Development of a GCF Country programme

	<ul style="list-style-type: none"> (viii) Development of a Policy on to incentivize green technologies and services (ix) Development of a Climate finance mobilization strategy (x) Accreditation support for Direct Access Entities already identified and nominated for accreditation (xi) Crowding-in private sector investments
<p>Other important background information of the project</p>	<p>In order for Kenya to take advantage of the opportunities to address climate change, it is imperative to take conscious steps aimed at building capacities and developing clear coordination mechanisms for climate financing including GCF access. It is against this background that the National Treasury, as the NDA for GCF in Kenya, mooted development of this Readiness proposal. The readiness support will be applied to bolster Kenya’s readiness to access and report on climate financing. The readiness support will also support accreditation of direct access entities, enhance the institutional capacity of the NDA to effectively coordinate with line ministries, counties, private sector, civil society organizations and development partners, and facilitate effective stakeholder engagement processes.</p>
<p>Areas that the project was formed to intervene</p>	<p>The project was formed to intervene in the following problems/gaps:</p> <ul style="list-style-type: none"> (i) Kenya has no Country Programme to guide engagement with the GCF. The Country Programme is vital for identifying country priorities on climate change for GCF funding. (ii) Support for accreditation of direct access entities – Kenya had only one direct access entity accredited as of 2019 i.e. National Environment Management Authority (NEMA). (iii) Lack of a GCF Coordination Strategy and NDA operational guidelines. (iv) Limited capacities and knowledge of the NDA and other stakeholders on GCF’s procedures, processes, investment criteria and funding modalities. (v) Lack of a climate finance tracking and reporting tool. Tracking and reporting of climate finance flows is provided for under the Paris Agreement, 2015 and the Climate Change Act, 2016. (vi) Lack of a comprehensive private sector stakeholder map that adequately identifies all the key private sector actors who need to be involved in climate and green financing.

	<p>(vii) No framework for the provision of green fiscal incentives. The intervention here is the development of a green fiscal incentives policy framework to promote green technologies and investments for enhanced NDC implementation.</p> <p>(viii) Limited capacity to design and prepare GCF concept notes and proposals to full bankability.</p>
Project duration	3.5 Years. The project started on 10 March 2021 and is expected to run until 09 September 2024 (a 6 month no cost Covid extension was granted to all GCF projects under implementation).

Project Information and Overall Performance (Continued)

2.4 Bankers

The following are the bankers for the project:

Central Bank of Kenya
 Haile Selassie Avenue
 P.O. Box 60000 – 00200, Nairobi Kenya
 Tel: +254 20 286 0000
NAIROBI

2.5 Independent Auditor

The project is audited by the:

Auditor General
 Office of the Auditor General
 Anniversary Towers, University Way
 P.O. Box 30084-00100
NAIROBI

2.6 Roles and Responsibilities

The following officers from the Climate Finance and Green Economy Unit, The National Treasury were responsible for the project implementation during the period under review. The project has not recruited a dedicated project officer.

No	Names	Title designation	Key qualification	Responsibilities
1.	Mr. Peter Odhengo	Head, Climate Finance & Green Economy Unit	Master of Science in Environmental Protection and Sustainable Development	Project Coordinator

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No	Names	Title designation	Key qualification	Responsibilities
2.	Mr. Hillary Korir	Senior Economist	Master's degree in Agricultural and Applied Economics	Project Technical Officer
4.	Mr. Idris Mohamed	Economist	Master's degree in Agricultural and Applied Economics	Support project implementation
4.	Ms. Janet Chelangat	Economist I	Bachelor's degree	Support project implementation

2.7 Funding summary

The Project is for a duration of 3.5 years from 2021 to 2024 with an approved budget of US\$ 845,670 equivalent to Kshs 90,486,690 as highlighted in the tables below:

A. Source of Funds

Source of funds	Donor Commitment		Amount received to date – (30 th June 2022)		Undrawn balance to date	
	USD	Kshs	USD	Kshs	USD	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A') - (B')
(i) Grant - Green Climate Fund	845,670	90,486,690	333,300	36,173,049	512,370	54,313,641
(ii) Counterpart funds - GoK	-	-	-	-	-	-
Total	845,670	90,486,690	333,300	36,173,049	512,370	54,313,641

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2022)		Cumulative amount paid to date – (30 th June 2022)		Unutilised balance to date (30 th June 2022)	
	USD	Kshs	USD	Kshs	USD	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
Green Climate Fund	333,300	36,173,049	50,854	5,441,420	282,446	30,731,629
(ii) Counterpart funds						
Government of Kenya	-	-	-	-	-	-
Total	333,300	36,173,049	50,854	5,441,420	282,446	30,731,629

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,

During the year under review, the project did not receive any amount but utilized the balances from the previous year. The project incurred a total expenditure of **Kshs 5,441,420** against a budget of **Kshs 36,665,000** resulting to underutilization of **Kshs 31,223,580** or 85.16%. The projects' cumulative receipts and payments are **Kshs 36,173,049** and **Kshs 5,441,420** respectively.

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

The following are some of the project achievements as of the reporting period:

- a) Training workshops held for officers from Ministries, Department, and Agencies on tracking and reporting of climate finance flows
- b) Draft National GCF Strategy developed
- c) Stakeholders' training workshops on GCF and Climate Finance were held
- d) Inter-Ministerial Technical Committee (IMTC) on Climate Finance established and the rules of procedure developed
- e) Climate Finance Social Media platforms (LinkedIn, Facebook and Twitter) established

iii) Indicate the absorption rate for each year since the commencement of the project.

The absorption rate for GCF Readiness project since inception is 14.8%

iv) List the implementation challenges and recommend the next steps.

The project delayed commencement due to COVID-19-related challenges. The COVID 19 Pandemic led to cessation of movement for a period of more than 6 months in various parts of the country. The restrictions therefore led to delay in activities that required gathering. Consequently, the implementation of the project was affected as some of the planned activities could not be delivered on time.

Delay in procurement processes. In some cases, a call for proposal was done but was non-responsive especially for international consultants. For example, the consultancy for the development of the Country Programme and NDA Manual was non-responsive, these necessitated adjustments of Terms of Reference (ToR) and re-advertisement. Further, some procurable items were not tenable due to limited budgets.

The project was approved in December 2019 and became effective in March 2021 (financial year 2020/2021). The project had not been factored in the FY2020/21 budget and therefore implementation could not start until the next financial year (i.e. FY2021/2022).

Due to delays, some activities in the project were implemented through the support of other partners, while other project activities are not tenable due to unforeseen challenges in their implementation. This necessitated the request for change of the proposal from the GCF.

2.9 Summary of Project Compliance:

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

3. Statement of Performance against Project's Predetermined Objectives

Introduction

Section 81(2)(f) /Section 164 (2)(f) of the Public Finance Management Act, 2012, requires that the Accounting Officer include a statement of the national/county government entity's performance against predetermined objectives at the end of each financial year.

The key development objectives of the *project's agreement/* plan are to:

- a) Strengthen institutional capacity and coordination mechanisms on GCF and climate finance in Kenya.
- b) Enhance Country Programming process.
- c) Realize direct access through accreditation support.
- d) Strengthen climate finance strategies and project pipeline development.

Progress on the attainment of strategic development objectives

To implement and cascade the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic, and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified to track progress and performance measurement.

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Below, we provide the progress on attaining the stated objectives:

Outcome 1: Country capacity strengthened			
Outputs	Activities	Indicators	Performance/ deliverables achieved
	Activity 1.1.1: Develop operational guidelines/ manuals for the functioning of the NDA	Meeting reports	Activity 1.1.1 – Implementation ongoing. Inter-Ministerial Committee constituted. Procurement of the consultant ongoing.
	Activity 1.1.2: Revise and validate the draft National GCF Coordination Strategy.		Activity 1.1.2 – Ongoing. Draft National GCF Coordination Strategy developed
1.1 NDA/focal point lead effective coordination mechanism	Activity 1.1.4: Support NDA staff as well as staff from key ministries such as Ministry of Environment, Ministry of Energy and Ministry of Agriculture, NEMA and academic institutions to attend 2 capacity building training programmes		Activity 1.1.4 – not yet started
	Activity 1.1.5: Study visit/ knowledge exchange by 4 NDA staff and 2 non- NDA staff with other countries on the coordination of climate change and GCF activities		Activity 1.1.5 – not yet started
1.2 No objection procedure established and implemented	Activity 1.2.1: Revise and align the no objection procedure with the recent policy developments such as NCCAP and National Climate Finance Policy.	Revised No Objection procedure	Activity not yet started
1.3 Bilateral agreements between the country and the GCF executed	Activity 1.3.1: Bilateral agreement on Privileges and Immunities negotiation between Kenya and the GCF	Minutes; Privileges and Immunities Agreement signed	Activity not yet started
	Activity 1.4.1: Training of Ministries, Counties, Departments, Agencies (MCDA) on the use of the coding, tracking and reporting tool (CIRT)	Meeting reports; minutes; contract awarded	Activity 1.4.1: 100 % Achieved. Two training workshops organized, and report developed
1.4 Monitoring, oversight and streamlining of climate finance	Activity 1.4.2: Develop a tool for off-budget (non-state) coding tracking and reporting climate finance for development partners and private sector		Activities 1.4.2 and 1.4.3 - Implemented yet to start.
	Activity 1.4.3: Train Trainers of Trainers (ToTs) on off-budget (non-state) CIRT		
1.5 Effective coordination mechanism between NDA and National Designated Entity (NDE) for the UNFCCC Technology Mechanism and other climate finance focal points	Activity 1.5.1: Engage with the Kenya’s NDE, (Kenya Industrial Research and Development Institute (KIRDI), and other climate change focal points to identify innovative green technologies, and capacity-building needs, which are in line with national development and climate strategies, and technology needs assessments.	Meeting minutes; reports; contract award; incubated projects	Activity 1.5.1 not yet implemented Activity 1.5.2 not yet implemented.

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Outcome 1: Country capacity strengthened			
Outputs	Activities	Indicators	Performance/ deliverables achieved
	Activity 1.5.2: Support incubation of innovative green technologies and business models through Kenya's NDE (KIRDI) and other climate change focal points.		

Outcome 2: Stakeholders engaged in consultative processes			
Outputs	Activities	Indicators	Performance and deliverables achieved
2.1 Stakeholders engaged in consultative processes	<p>Activity 2.1.1: Conduct in-country training for national and sub-national (Counties) stakeholders on GCF procedures, access and modalities, and including other climate financing opportunities.</p> <p>Activity 2.1.2: Prepare, publish and disseminate brochures and other publications to provide and raise awareness on climate related opportunities</p> <p>Activity 2.1.3: Continuous GCF engagement with NDA and Kenya GCF stakeholders: organize forums for private, public and civil society forums for awareness creation, stakeholders to provide feedback on actions and review country programme, and GCF training for stakeholders</p> <p>Activity 2.1.4: Establish and regularly update online platforms (website and social media) to facilitate NDA's communication with stakeholders on matters related to the Fund.</p>	<p>Meeting reports; minutes; contract awarded;</p> <p>Publications</p> <p>Website and social media platforms established;</p>	<p>Activity 2.1.1 – not yet started.</p> <p>Activity 2.1.2 – not yet started</p> <p>Activity 2.1.3 – not yet started</p> <p>Activity 2.1.4: 100% Achieved. The following online and social media platforms established:</p> <ul style="list-style-type: none"> • LinkedIn: Climate Finance KENYA (https://www.linkedin.com/company/climate-finance-kenya/) • Twitter: Climate Finance KE (https://twitter.com/climate_ke) • Facebook: Climate Finance Kenya (https://www.facebook.com/ClimateFinanceKE) • Instagram: ClimateFinanceKE (https://instagram.com/climatefinanceke)
2.2 Country programmes, including adaptation priorities, developed and continuously updated	Activity 2.2.1: Development a Country programme aligned with the national policies and GCF priorities, including a procedure on revision and update of the Programme	Country Programme approved; Meeting reports	Activity not yet started
2.3: Periodic participatory review and updating of the climate finance Country Programme	Activity 2.3.1: One consultative workshop to review the country programme, audit GCF progress, identify challenges, gaps and discuss opportunities.	Reports; minutes; revised Country programme	Activity not started.

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Outcome 3: Direct access realized			
Outputs	Activities	Indicators	Performance and deliverables achieved
3.1 Accreditation of Direct Access Entities already identified and nominated for accreditation	Activity 3.1.1: Support institutional gap analysis of nominated entities against the fiduciary standards and ESS and Gender	Minutes; Reports; Contract award	Activity not yet started.

Outcome 4: Climate finance strategies and project pipeline strengthened			
Outputs	Activities	Indicators	Performance and deliverables achieved
4.1: Climate finance strategy and green incentive policy developed	Activity 4.1.1: Develop a national climate finance strategy to guide the implementation of the National Policy on Climate Finance.	Reports; Minutes; Climate Finance Strategy validated;	Activity 4.1.1 –Not yet started
	Activity 4.1.2: Develop a Policy on provision of incentives for green technologies and services to promote uptake climate-friendly technologies.	Policy on Green Fiscal Incentives developed	Activity 4.1.2: Not yet started
4.2 Crowding-in private sector investments	Activity 4.2.1: Explore implementation of green projects by the private sector and through the PPP model and develop financial products and approaches that accelerate uptake of climate -smart technologies and crowding in of private finance to invest in green projects	Minutes; invitation letters	Implemented not started
4.3 Project pipeline development	Activity 4.3.1 Support development of 3 proposals, 2 being SAP proposals for submission by the Direct Access Entity(ies) to the GCF. This activity is implemented together with Activity 2.1.1, where three (3) concept ideas are identified.	Minutes; Contract award; 3 funding proposals developed	ToRs prepared for the consultancy to develop GCF proposals

4. Environmental and Sustainability Reporting

The Project exists to enable Kenya to take advantage of the opportunities to address climate change. The project focuses on taking conscious steps aimed at building capacities and developing clear coordination mechanisms for climate financing including GCF access in Kenya. The most immediate actions include leveraging private sector financing through creating awareness and removing fiscal barriers to green technology proliferation. In this regard, the project has supported the development of the Kenya's Green Fiscal Incentives Policy and will facilitate the development of the GCF Country Programme aligned with the national development strategies and goals and the GCF priority areas to boost Kenya's ability to access financing from GCF.

This Readiness will be applied to bolster Kenya's readiness to access and report on climate financing. Further, the Project will support accreditation of direct access entities, enhance the institutional capacity of the NDA to effectively coordinate with line ministries, counties, private sector, civil society organizations and development partners, and facilitate effective stakeholder engagement processes.

The project will enhance understanding of climate change and its impacts nationally and at the county level, tracking and reporting of climate finance flows, and ensure a conducive and enabling policy, legal and institutional framework to address climate change. Below is a brief highlight of our activities that drive towards sustainability.

i. Sustainability strategy and profile

Program sustainability will be achievable through:

- Capacity building to strengthen sector wide capacity building focusing on GCF and climate finance access modalities. Addressing the needs at these different levels calls for a multi-pronged approach that enhances co-ordination, collaboration, coherence while at the same time address sustainability;
- Stakeholder engagement is a key component of the project that applies to all activities. In line with the Government of Kenya's laws and GCF's procedures, meaningful consultation and engagement processes is embedded in the project implementation.
- Inculcate sustainability into all aspects of the project (planning, budgeting, implementation & monitoring).

ii. Environmental performance

The Climate Change Act, 2016 aims to promote low-carbon economic development that is resilient to climate change. The Act provides for mobilization and reporting of climate finance flows in the country. The National Climate Change Action Plan (NCCAP) 2023-2027 aims to further Kenya's " development goals by providing mechanisms and measures to achieve low carbon climate resilient development in a manner that prioritizes adaptation. The Action Plan emphasizes sustainability, while prioritizing adaptation and enhanced

climate resilience for vulnerable groups, including women, youth, persons with disabilities. The National Policy on Climate Finance on the other hand aims to enhance and streamline the implementation of public finance management in relation to climate financing. The Policy enhances mobilization of resources for adaptation and mitigation actions.

In implementing the project, a paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development is being adhered to. The project, in line with Government's Environmental Policies and the GCF's Environmental and Social Safeguards Policy is effectively and equitably managing environmental and social risks and impacts, and improve outcomes of project deliverables.

iii. Employee welfare

The Project is yet to finalize on the hiring of the project officer. The Project staff is being hired as per the GoK employment procedures that takes into account the gender balance, and in close consultation with the GCF Secretariat. The staff have been trained in a number of areas. The Project ensures the safety, health and welfare of all employees at work working in his/her workplace in compliance with the policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA).

iv. Marketplace practices-

a) Responsible Supply chain and supplier relations-

During the year under review, the program maintained required practices on responsible competition practice; responsible supply chain and supplier relations; responsible marketing and advertisements.

b) Responsible ethical practices

The Project commits to observe all laws governing Fraud and Corruption through the contracts signed under the GCF Readiness Project. The Project actively engages suppliers through a Grievance Redress Mechanism to promptly address any complaint arising out of a procurement process. Suppliers are sensitized on the process of submitting procurement related complaints through the Intention to award letters. Further, prior to contract signing, successful suppliers disclose information on their Beneficial Ownership.

c) Regulatory impact assessment

To safeguard and stakeholder rights, some contracts require the contractor/consultant to submit a Sexual Exploitation and Abuse (SEA) and/or Sexual Harassment (SH) Performance Declaration, Environmental Impact Assessment certificate.

v. Community Engagements

Extensive stakeholder engagements have been employed in the project implementation. Ministries, Departments, Agencies, Counties, Civil Society Organizations and the Private Sector have been engaged and trained through the support of the Readiness project. Project supported the re-establishment of the Inter-Ministerial Technical Committee (IMTC) on Climate Finance including the development of the rules of procedure. The IMTC is composed of technical officers from MDAs, private sector as well as the representatives of the civil society.

5. Statement of Project Management Responsibilities

The Principal Secretary for the National Treasury and the Project Coordinator for the Green Climate Fund (GCF) Readiness Project 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 the financial year ended on June 30, 2022.

This responsibility includes (i) Maintaining adequate financial management arrangements 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 Principal Secretary for the National Treasury and the Project Coordinator for the GCF Readiness 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 International Public Sector Accounting Standards.

The Principal Secretary for the National Treasury and the Project Coordinator are of the opinion that the Project's financial statements give a true and fair view of the state of the Project's transactions during the financial year ended June 30, 2022, and of the Project's financial position as at that date. The Principal Secretary for the National Treasury and the Project Coordinator further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements and the adequacy of the systems of internal financial control.

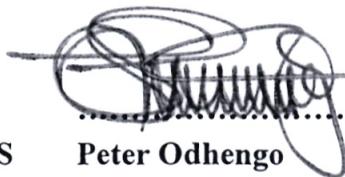
The Principal Secretary for the National Treasury and the Project Coordinator confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants and that Project funds received during the financial year under audit were used for the eligible 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 Principal Secretary for the National Treasury and the Project Coordinator for the GCF Readiness Project on 30th September 2024 and signed by:



.....
Dr. Chris K. Kiptoo, CBS
Principal Secretary



.....
Peter Odhengo
Project Coordinator



.....
CPA Lilian Atieno
Project Accountant
ICPAK Member No: 10696

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON GREEN CLIMATE FUND READINESS PROJECT (GRANT NO. KEN-RS-004) FOR THE YEAR ENDED 30 JUNE, 2022 - THE NATIONAL TREASURY

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, gazette 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 the 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 controls, 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 of Green Climate Fund Readiness Project set out on pages 1 to 15, which comprise of the statement of financial assets and

liabilities as at 30 June, 2022, and the statement of receipts and payments, statement of cash flows and the 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 the Green Climate Fund Readiness Project, 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 Public Finance Management Act, 2012 and the Grant Agreement No.KEN-RS-004 between the Republic of Kenya and the Green Climate Fund (NDA) dated 28 October, 2020.

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

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Green Climate Fund Readiness 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.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final budget and actual on a comparable basis of Kshs.36,665,000 and Kshs.36,173,049 respectively resulting in an under-funding of Kshs.491,051 or 1% of the budget. However, the Project spent a total of Kshs.5,441,420 against actual receipts of Kshs.36,173,049 resulting in an under-utilization of Kshs.30,731,629 or 85% of the actual receipts.

In the circumstances, the under-utilization affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is unmodified in respect of this matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in 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

Late Submission of the Financial Statements

Management of the Project submitted financial statements for the year ended 30 June, 2022 to the office of the Auditor-General on 07 October, 2024, two (2) years after the statutory deadline of 30 September, 2022. This was contrary to Section 47(1) of the Public Audit Act, 2015 which requires that financial statements should be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

In the circumstances, Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash

Basis) and for maintaining effective internal controls 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the 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 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls 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 controls 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the 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 controls 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.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

29 October 2024

Green Climate Fund Readiness Project
Annual Report and Financial Statements for the financial year ended June 30, 2022

7. Statement of Receipts and Payments for the Year Ended 30th June 2022.

	Note	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	Cumulative to-date (From inception)
		FY 2021/22			FY 2020/21			
		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Receipts								
Transfer from Government entities	1	-	-	-	-	-	-	-
Proceeds from domestic and foreign grants	2	36,173,049	-	36,173,049	-	-	-	36,173,049
Loan from external development partners	3	-	-	-	-	-	-	-
Miscellaneous receipts	4	-	-	-	-	-	-	-
Total receipts		36,173,049	-	36,173,049	-	-	-	36,173,049
Payments								
Compensation to employees	5	-	-	-	-	-	-	-
Purchase of goods and services	6	5,441,420	-	5,441,420	-	-	-	5,441,420
Social security benefits	7	-	-	-	-	-	-	-
Acquisition of non-financial assets	8	-	-	-	-	-	-	-
Transfers to other government entities	9	-	-	-	-	-	-	-
Other grants and transfers /payments	10	-	-	-	-	-	-	-
Total payments		5,441,420	-	5,441,420	-	-	-	5,441,420
Surplus/ (deficit)		30,731,629	-	30,731,629	-	-	-	30,731,629



Dr. Chris K. Kiptoo, CBS
Principal Secretary/ NT



Peter Odhengo
Project Coordinator



CPA Lilian Atieno
Project Accountant
ICPAK Member No: 10696

8. Statement of Financial Assets and Liabilities as of 30th June 2022

Description	Note	FY 2021/22	FY 2020/21
		Kshs	Kshs
Financial Assets			
Cash and Cash equivalents	11	30,731,629	-
Imprests and Advances	12	-	-
Total Financial Assets (A)		30,731,629	-
Financial Liabilities			
Third party Deposits and Retention	13	-	-
Total Financial Liabilities (B)		-	-
Net Financial Assets (A-B)		30,731,629	-
Represented By			
Fund Balance B/fwd.	14	-	-
Prior Year adjustments	15	-	-
Surplus/(Deficit) for the Year		30,731,629	-
Net Financial Assets		30,731,629	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30th September 2024 and signed by:



Dr. Chris K. Kiptoo, CBS
Principal Secretary / NT



Peter Odhengo
Project Coordinator



CPA Lilian Atieno
Project Accountant
ICPAK Member No: 10696

9. Statement of Cash flows for the year ended 30th June 2022

Description	Note	FY 2021/22	FY 2020/21
Cashflow from operating activities		Kshs	Kshs
Receipts			
Transfer from government entities	1	-	-
Proceeds from domestic and foreign grants	2	36,173,049	-
Miscellaneous receipts	4	-	-
Total receipts		36,173,049	-
Payments		36,173,049	-
Compensation of employees	5	-	-
Purchase of goods and services	6	(5,441,420)	-
Social security benefits	7	-	-
Transfers to other government entities	9	-	-
Other grants and transfers	10	-	-
Total Payments		(5,441,420)	-
Net receipts/(payments)		30,731,629	-
Adjustments during the year			
Prior year adjustments	15	-	-
Decrease/(increase) in accounts receivable	16	-	-
Increase/(decrease) in accounts payable:	17	-	-
Net cash flow from operating activities		30,731,629	-
Cashflow from investing activities			
Acquisition of non-financial assets	8	-	-
Net cash flows from investing activities		-	-
Cash flow from financing activities			
Proceeds from foreign borrowings	3	-	-
Net cash flow from financing activities		-	-
Net increase in cash and cash equivalents		30,731,629	-
Cash & cash equivalent at beginning of the year	11	-	-
Cash and cash equivalent at end of the year	11	30,731,629	-

*Green Climate Fund Readiness Project
Annual Report and Financial Statements for the financial year ended June 30, 2022*

10. Statement of Comparison of Budget and Actual Amounts for the Year ended 30th June 2022

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Receipts						
Transfer from Government entities	-	-	-	-	-	-
Proceeds from domestic and foreign grants	36,665,000	-	36,665,000	36,173,049	491,951	99%
Proceeds from borrowings	-	-	-	-	-	-
Miscellaneous receipts	-	-	-	-	-	-
Total Receipts	36,665,000		36,665,000	36,173,049	491,951	99%
Payments						
Compensation to employees	-	-	-	-	-	-
Purchase of goods and services	35,600,000	-	35,600,000	5,441,420	30,158,580	15%
Social security benefits	-	-	-	-	-	-
Acquisition of non-financial assets	1,065,000	-	1,065,000	-	1,065,000	0%
Transfers to other government entities	-	-	-	-	-	-
Other grants and transfers	-	-	-	-	-	-
Total Payments	36,665,000	-	36,665,000	5,441,420	31,223,580	15%
Surplus or Deficit	-	-	-	30,731,629	(30,731,629)	-

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

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 the GCF Readiness Project under the National Treasury 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

GCF Readiness Project recognizes all receipts from various sources when an event occurs, and the related cash is received.

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.

Significant Accounting Policies (continued)

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 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.

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.

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.

Significant Accounting Policies (Continued)

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.

k) Contingent Assets

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

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, 2022.

r) Prior period adjustments

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

12. Notes to the Financial Statements

1. Transfers from Government entities

During the financial period to 30th June 2021, the project did not receive any transfers from the government. The table below gives the comparative for the prior year:

Description	FY2021/22	FY2020/21	Cumulative to-date (from inception)
	Kshs	Kshs	Kshs
<i>Counterpart funding through The National Treasury</i>			
Counterpart funds Quarter 1	-	-	-
Counterpart funds Quarter 2	-	-	-
Counterpart funds Quarter 3	-	-	-
Counterpart funds Quarter 4	-	-	-
Total	=	=	=

2. Proceeds From Domestic and Foreign Grants

During the financial period to 30th June 2022, the project received Ksh 36,173,049 in foreign grant from the Green Climate Fund. The table below gives the comparative for the prior year:

Name of Donor	Date received	FY 2021/22					FY 2020/21	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	
		USD	Kshs	Kshs	Kshs	Kshs	Kshs	
Green Climate Fund	21.10.2021	333,300	36,173,049	-	-	-	-	36,173,049
Total	-	333,300	36,173,049	-	-	-	-	36,173,049

3. Loan from External Development Partners

The project is financed through grants from the Green Climate Fund.

4. Miscellaneous receipts

During the financial period to June 2022, we did not have any miscellaneous receipts.

5. Compensation to Employees

During the financial year under review, the project did not have any employees.

Green Climate Fund Readiness Project
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Notes to the Financial Statements (Continued)

6. Purchase of Goods and Services

Description	FY 2021/22			FY 2020/21	Cumulative to- date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Utilities, supplies and services	-	-	-	-	-
Communication, supplies and services	-	-	-	-	-
Domestic travel and subsistence	5,441,420	-	5,441,420	-	5,441,420
Foreign travel and subsistence	-	-	-	-	-
Printing, advertising, and information supplies	-	-	-	-	-
Rentals of produced assets	-	-	-	-	-
Training payments	-	-	-	-	-
Hospitality supplies and services	-	-	-	-	-
Insurance costs	-	-	-	-	-
Specialized materials and services	-	-	-	-	-
Other operating payments	-	-	-	-	-
Routine maintenance – vehicles and other transport equipment	-	-	-	-	-
Routine maintenance- other assets	-	-	-	-	-
Exchange rate losses/gains (net)	-	-	-	-	-
Total	<u>5,441,420</u>	<u>=</u>	<u>5,441,420</u>	<u>=</u>	<u>5,441,420</u>

7. Social Security Benefits

During the financial year under review, there were no social security benefits payment made.

8. Acquisition of Non-Financial Assets

During the financial period to June 2022, there were no acquisition of non-financial assets.

9. Transfers to other Government Entities

During the Financial period to 30th June 2022, there were no transfers to other Government Entities.

10. Other Grants, Transfers, and Payments

During the Financial Period to 30th June 2022, there were no Other Grants, Transfers, and Payments made.

Green Climate Fund Readiness Project

Annual Report and Financial Statements for the financial year ended June 30, 2022

Notes to the Financial Statements (Continued)

11. Cash And Cash equivalents

Description	FY 2021-2022	FY 2020-2021
	Kshs	Kshs
Bank accounts (Note 11A)	30,731,629	-
Cash in hand (Note 11B)	-	-
Cash equivalents (short-term deposits) (Note 11C)	-	-
Total	<u>30,731,629</u>	=

The GCF Readiness Project has one project account, and one foreign currency designated account managed by the National Treasury as listed below:

11. A Bank Accounts

Project Bank Account

Details	FY 2021-2022	FY 2020-2021
	Kshs	Kshs
<u>Local Currency Account</u>		
Central Bank of Kenya [A/c No. 1000516534]	30,731,629	-
Total local currency balances	<u>30,731,629</u>	=

Special Deposit Account

The balances in the Project's Special Deposit Account as of 30th June 2022 are not included in the Statement of Financial Assets since the line items are yet to be drawn into the Exchequer Account as a voted provision. Below is the Special Deposit Account (SDA) movement schedule, which shows the flow of funds voted in the year. These funds have been reported as grants received in the year under the Statement of Receipts and Payments.

Special Deposit Accounts Movement Schedule

Description	FY 2021/22	FY 2020/21
	USD	USD
(i) A/C Name: UN GCF Readiness Project [A/c No. 1000476885]		
Opening balance	496,000	-
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	(333,300)	=
Closing balance (as per SDA bank account reconciliation attached)	<u>162,700</u>	=

(The Special Deposit Account reconciliation statements has been attached as Appendix 9 support these closing balance.)

Notes to the Financial Statements (Continued)

11. B Cash in hand

During the Financial Period to 30th June 2022, there were no cash in hand.

11. C Cash equivalents (short-term deposits)

During the Financial Period to 30th June 2022, there were no short-term deposits.

12. Imprests and Advances

During the Financial Period to 30th June 2022, there were no short-term deposits.

13. Third-Party Deposits and Retention

During the Financial Period to 30th June 2022, there were no third-party deposits and retention.

14. Fund Balance Brought Forward

Description	FY 2021/22	FY 2020/21
	Kshs	Kshs
Bank accounts (A/c No. 1000516534)	-	-
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
Deposits and retention	-	-
Total	-	-

15. Prior Year Adjustment

There were no prior adjustments resulting from last year which were made during the year ended June 30, 2022.

16. Changes in Accounts Receivables (Imprests and Advances)

There were no changes in accounts receivable during the financial period ended June 30, 2022.

17. Changes in Accounts Payables (Deposits and Retention)

There were no deposits and retention during the financial period ended June 30, 2022.

Other Important Disclosures

18. Pending Accounts Payable (See Annex 4a)

During the financial period to June 2022, there were no pending accounts payables.

19. Pending Staff Payables (See Annex 4b)

During the financial period to June 2022, there were no pending staff payables.

20. Other Pending Payables (See Annex 4c)

During the financial period to June 2022, there were no other pending payables.

21. External Assistance

During the period to June 2022, there were no other external assistance to the project.

22. Payments By Third Party on Behalf of The Project

During the period to June 2022, there were no payments made by third party on behalf of the project.

23. Related Party Disclosures

The project did not undertake any related party transactions during the period under review.

24. Contingent Liabilities

The project did not incur any contingent liabilities in the period under review.

Green Climate Fund Readiness Project
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13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

There were no follow-up audit issues as the project became effective in the March 2021.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
-	-	-	-	-


.....
Dr. Chris K. Kiptoo, CBS
Principal Secretary


.....
Peter Odhengo
Project Coordinator

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Annex 2: Variance explanations - Comparative Budget and Actual Amounts for FY 2021/22

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance (below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities	-	-	-	-	
Proceeds from domestic and foreign grants	36,665,000	36,173,049	491,951	99%	
Proceeds from borrowings	-	-	-	-	
Miscellaneous receipts	-	-	-	-	
Total Receipts	36,665,000	36,173,049	491,951	99%	
Payments					
Compensation of employees	-	-	-	-	
Purchase of goods and services	35,600,000	5,441,420	30,158,580	15%	
Social security benefits	-	-	-	-	
Acquisition of non-financial assets	1,065,000	-	1,065,000	0%	
Transfers to other government entities	-	-	-	-	
Other grants and transfers	-	-	-	-	
Total payments	36,665,000	5,441,420	31,223,580	15%	

Comments

- a) During the year ended June 30, 2022, the opening balances in the project account was Ksh 36,173,049 that financed the activities in the FY2021/22.
- b) The underutilization reported in the Purchase of Goods and Services and Non - Financial Assets were as a result of slow procurement processes and inadequate staffing capacity of the Climate Finance & Green Economy Unit responsible for the implementation of the project. The slow procurement processes arising from the Ministry internal review and processing levels leading to un-concluded items in the Procurement Plan during the year ended June 30, 2022.

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Annex 3: Reconciliation of inter-entity transfers

Project Name:		Green Climate Fund Readiness Project		
Break down of transfers from the National Treasury				
A. Government Counterpart funding				
		Bank Statement Date	Amount (Kshs)	
			-	
		Total	-	
B. Direct payments				
		Bank Statement Date	Amount (Kshs)	
			-	
		Total	-	
C. Others				
		Bank Statement Date	Amount (Kshs)	
	Transfer for The National Treasury Development Account	21.10.2021	36,173,049	FY2021-2022
		Total	36,173,049	
		Total (A+B+C)	36,173,049	

The above amounts have been communicated to and reconciled.

Project Coordinator
GCF Readiness Project

Sign 

Head of Accounting Unit
The National Treasury

Sign 

Annex 4a: Analysis of Pending Bills

During the financial period to June 2022, there were no pending bills.

Annex 4b: Analysis of Pending: Staff Bills

During the financial period to June 2022, there were no pending staff payables.

Annex 4c: Analysis of Other Pending Payables

During the financial period to June 2022, there were no other pending payables.

Annex 5: Summary of Fixed Assets Register

The Project did not acquire any fixed asset in the period under review.

Annex 6: Contingent Liabilities Register

The Project did not incur any contingent liabilities in the period under review.

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Annex 7: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
Green Climate Fund Readiness Project	The readiness support is intended to develop strategic frameworks, including preparation of a Country Programme, support for accreditation direct access entities, enhance the institutional capacity of the National Treasury (NDA) to effectively coordinate with the stakeholders in accessing the GCF resources.	The key objective of the project is to bolster Kenya's readiness to access and receive climate financing.		-	-	5,405,440	35,980	Green Climate Fund	The National Treasury

Annex 8: Reporting Disaster Management Expenditure

During the financial period to June 2022, there were no disaster management related expenditures.

Annex 9: Other Support Documents

i. Bank Reconciliations Statement as at 30th June 2022

ACCOUNT NO.1000516534		F.O. 30									
<p><u>THE NATIONAL TREASURY</u> BANK RECONCILIATION GREEN CLIMATE FUND READINESS PROJECT As at 30TH JUNE 2022 STATION NAIROBI</p>											
	Sh.	Sh.									
Balance as per Bank Certificate		30,731,629.00									
Less -----											
1. Payments in Cash Book no recorded in Bank Statement (Unpresented Cheques)	-	-									
2. Receipts in Bank Statement not yet recorded in Cash book	-	-									
Add -----											
3. Payment in Bank Statement not yet recorded in Cash Book	-	-									
4. Receipts in Cash Book not yet Recorded in Bank Statement	-	-									
Balance as per cash Book ..		30,731,629.00									
<p>I certify I have verified the bank balance in the cash book with the bank statement and that the above reconciliation is correct</p>											
<p>HAU THE NATIONAL TREASURY</p>											
Signature	Date										
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="3">PREPARED BY</td> </tr> <tr> <td style="width: 30%;">JANET M</td> <td style="width: 30%;">SIGN</td> <td style="width: 40%;"></td> </tr> <tr> <td>DATE</td> <td>20/03/2023</td> <td></td> </tr> </table>			PREPARED BY			JANET M	SIGN		DATE	20/03/2023	
PREPARED BY											
JANET M	SIGN										
DATE	20/03/2023										
<p>COPY TO</p> <p>1 INTERNAL AUDITOR</p> <p>2 AUDITOR GENERAL</p> <p>3 D.G.A.S & Q.A</p>											

Bank Reconciliations Statement as at 30th June 2022 (continued)

THE NATIONAL TREASURY
GREEN CLIMATE FUND READINESS PROJECT
As at 30TH JUNE 2022 STATION NAIROBI

PAYMENT IN CB NOT BANK STATEMENT			
DATE	CB NO	PARTICULARS	AMOUNT
		TOTALS	-

DATE: SIGN:

THE NATIONAL TREASURY
GREEN CLIMATE FUND READINESS PROJECT
As at 30TH JUNE 2022 STATION NAIROBI

PAYMENT IN BANK STATEMENT NOT IN CASHBOOK

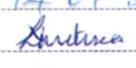
DATE	REFERENCE	Transaction Details	Amount
		TOTALS	0.00

DATE :

SIGN:

ii. Special Deposit Account Reconciliation Statement

3

SPECIAL ACCOUNT STATEMENT	
For period ending	30th JUNE, 2022
Account No.	1000476885
Depository Bank	CENTRAL BANK OF KENYA.
Address	CENTRAL BANK OF KENYA.
Related Loan	UN GCF READINESS PROJECT
Credit Agreement	
Currency	USD
<u>Part A - Account Activity</u>	
Beginning balance of 1st July, 2021 as per C.B.K. Ledger Account	496,000.00
Add:	
Total Amount deposited by World Bank	0.00
Total Interest earnings if deposited in account	
Total amount refunded to cover ineligible expenditure	
Deduct:	
Total amount withdrawn	333,300.00
Total service charges if not included above in amount withdrawn	
Ending balance on 30th June, 2022	162,700.00
AUTHORISED REPRESENTATIVE CENTRAL BANK OF KENYA	SIGNATURE: 
	DATE: 14-07-2022
AUTHORISED REPRESENTATIVE EXTERNAL RESOURCES DEPARTMENT-TREASURY	SIGNATURE: 
	DATE: 02-08-2022

NOTE: The ending balance as per Central Bank of Kenya Ledger Account and the off-shore Special Account as at 30th June, 2022 have been reconciled and a copy of the supporting Reconciliation Statement is attached.

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- ii. Board of Survey Report
- iv. GOK IFMIS comparison Trial Balance