

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

PARLIAMENT
OF KENYA
LIBRARY

THE NATIONAL ASSEMBLY	
DATE:	23 APR 2024
TABLED BY:	Hon Owen Bayo, MP Deputy Majority Leader
CLERK AT THE TABLE:	A Shwaka

THE AUDITOR-GENERAL

ON

**NATIONAL ENVIRONMENT
MANAGEMENT AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE, 2023**



NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2023

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

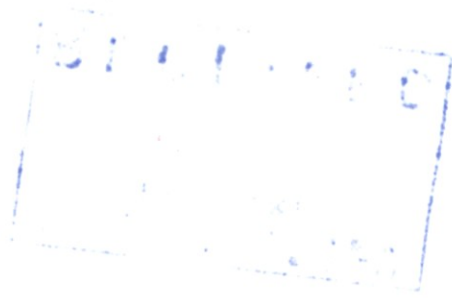


TABLE OF CONTENTS

Page

1.	Acronyms, Abbreviations and Glossary of Terms	iii
2.	Key Entity Information and Management	iv
3.	The Board of Directors	vii
4.	Management Team	xvi
5.	Chairman's Statement	xix
6.	Report of the Director General	xxi
7.	Statement of Nema's Performance Against Predetermined Objectives for FY 2022/2023.....	xxiv
8.	Corporate Governance Statement	xxvii
9.	Management Discussion and Analysis	xxx
10.	Environmental and Sustainability Reporting	xxxiii
11.	Report of the Directors	xxxvi
12.	Statement of Directors' Responsibilities.....	xxxvii
13.	Report of the Independent Auditors on National Environment Management Authority	xxxviii
14.	Statement of Financial Performance for the Year Ended 30 June 2023.....	1
15.	Statement of Financial Position as at 30 th June 2023	2
16.	Statement of Changes in Net Assets for the Year Ended 30 June 2023.....	3
17.	Statement of Cashflows for the Year Ended 30 June 2023.....	4
18.	Statement of Comparison of Budget and Actual Amounts.....	5
19.	Notes to the Financial Statements	6
20.	Progress on Follow up of Auditor Recommendations	29
21.	Appendix II: Projects implemented by The National Environment Management Authority	35
22.	Appendix III - Inter-Entity Confirmation Letter	37
23.	Appendix IV: Recording of Transfers from Other Government Entities	38

1. Acronyms, Abbreviations and Glossary of Terms

A: Acronyms and Abbreviations

AEHPMP	Africa Environmental Health and Pollution Management Project
AIA	Appropriations in Aid
BeTA	Bottom-Up Economic Transformation Agenda
COP	Conference of the Parties
CSR	Corporate Social Responsibility
EMCA	Environmental Management and Co-ordination Act
GCF	Green Climate Fund
GGEP	Green Growth and Employment Program
GHG	Green House Gases
IPSAS	International Public Sector Accounting Standards
KEPI	Kenya National Environmental Performance Index
MDA	Ministries Departments and Agencies
NEMA	National Environment Management Authority
NIE	National Implementing Entity
UNFCCC	United Nations Framework Climate Change Convention

B: Glossary of Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organisation

Comparative Year- Means the prior period.

2. Key Entity Information and Management

(a) Background information

The National Environment Management Authority (NEMA) is established under the Environmental Management and Co-ordination Act No. 8 of 1999 as a State Corporation in the Ministry of Environment and Forestry. This principal Act was amended in 2015 and published as Environmental Management and Co-ordination Act, Cap 387 of the Laws of Kenya. The Authority exists to exercise general supervision and co-ordination over all matters relating to the environment and to be the principal instrument of Government in the implementation of all policies relating to the environment in Kenya. The Ministry of Environment and Forestry is responsible for the general policy and strategic direction of the Authority.

(b) Principal Activities

The Authority exists to safeguard and enhance the quality of the environment in Kenya through supervision, coordination, research and strategic partnerships and collaborations with National Government ministries and agencies, county governments, private sector, development partners and the general public while promoting responsible individual, corporate and collective participation towards a sustainable development for the future.

(c) Key Management

The Authority's day-to-day management is under the following key management team:

No.	Name	Designation/ Area of responsibility
1	Mr. Mamo B. Mamo, EBS, BSC, MSC	Director General
2	CPA. Kennedy Ochuka, B. Com, MBA, CPA (K)	Director Corporate Services
3	Ms. Linda Kosgei, LLB, LLM	Ag. Director Legal Services
4	Mr. David Ongare, BSC, MSC.	Director Environmental Compliance
5	Dr. Kennedy Inyega Ondimu, PHD	Director Environmental Services
6	CPA. Mildred Nganga, B. Com, MBA, CPA (K), CFE	Director Internal Audit
7	Dr. Ayub Ndaruga Macharia, PHD	Director Environmental Enforcement

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1	Director General	Mr. Mamo B. Mamo, EBS, BSc, MSc
2	Director Corporate Services	CPA. Kennedy Ochuka, B. Com, MBA, CPA (K)
3	AG. Director Legal Services	Ms. Linda Kosgei, LLB, LLM
4	Director Environmental Compliance	Mr. David Ongare, BSc, MSc
5	Director Environmental Services	Dr. Kennedy Inyega Ondimu, PHD
6	Director Internal Audit	CPA. Mildred Nganga, B. Com, MBA, CPA (K), CFE
7	Director Environmental Enforcement	Dr. Ayub Ndaruga Macharia, PHD

(e) Fiduciary Oversight Arrangements

The primary organ responsible for fiduciary oversight arrangements is the Board of Management. Other Government bodies also provides oversight.

The Board exercised this oversight through Board committees. These were the Finance and Human Resources Committee and the Audit, Governance and Risk Management Committee.

Finance and Human Resource Committee

The primary responsibility of Finance and Human Resource Committee is to provide advice to the Board on NEMA's financial and human resource management, performance and their financial implications.

The Committee reviews quarterly financial, human resource and procurement reports and recommends to the Board ways of raising and utilizing the Authority's funds and human resources and the establishment of systems and procedures for efficient financial management. It advises the Board on NEMA's human resource policies and guidelines that include the scheme of establishment and career progression and terms and conditions of service for the staff of the Authority.

Audit, Governance and Risk Management Committee

This committee assists the Board in the oversight of integrity of NEMA's financial reporting and monitoring of the effectiveness of internal control systems and risk management. The committee reviews the annual report relating to the financial performance and reports to the Board significant financial reporting issues and judgement in the financial statements having regard to matters communicated to it by the auditor.



(f) Headquarters

National Environment Management Authority
P.O. Box 67839-00200, Nairobi
Eland House, Popo Road, South C.

(g) Authority's Contacts

Telephone: (254) 020 6005522
E-mail: dgnema@nema.go.ke
Website: www.nema.go.ke

(h) Authority's Bankers

Kenya Commercial Bank Limited, Moi Avenue | P O Box 30081-00100, Nairobi
Standard Chartered Bank Kenya Limited, Harambee Avenue | P O Box 20063-00200, Nairobi
Co-operative Bank of Kenya Limited | P O Box 48231-00100, Nairobi
NCBA Bank, Mara / Ragati Road | P O Box 30437-00100, Nairobi
ABSA Bank Limited | P O Box 30120-00100, Nairobi


(i) Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

(j) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

3. The Board of Directors

 <p>Mr. Emilio Mugo</p>	<p>Chairman</p> <p>Mr. Emilio Mugo is an experienced Forester having served the Kenya Forest Service for over thirty years. He rose through the ranks to become the Chief Conservator of Forests of the institution.</p> <p>Mr. Mugo is an experienced Chairman of the Board with a demonstrated history of working in the import and export industry. Skilled in Nonprofit Organizations, Sustainable Development, Corporate Social Responsibility, Rural Development and Environmental Awareness. He is a strong business development professional with a Diploma focused on Multilateral Environmental Agreements from the University of Eastern Finland.</p> <p>Mr. Mugo is a holder of a Master's degree in Project management from the London School of Business and a Post Graduate Diploma in Project Management from the Cambridge Association of Managers. He is also a graduate of Bachelor of Science in Forestry from Moi University. He was born in 1962 and appointed Board Chair effective 10th March 2023.</p>
 <p>Mr. Eric Wagithuku Mungai, EBS</p>	<p>Chairman</p> <p>Mr. Eric Wagithuku Mungai has over 25 years' experience in senior management positions, serving as a director of several successful businesses in Kenya. He has extensive experience in various economic sectors, including property development, mining, agribusiness, hospitality and education. He is widely travelled with a strong network of global contacts in the USA, France, UK, Turkey, South Africa, Republic of South Sudan, Uganda and Tanzania</p> <p>He holds Bachelors of Arts, Leadership and Management, St. Paul University, Kenya, Business Management at the School of Management in Boston University and USIU-Africa, Nairobi.</p> <p>He has served as Director, Kenya Bureau of Standards (KEBS) and Chairman, Sunkissed Limited and Chairman/CEO Astral Mining Limited. Currently, he is the Executive Director, Speedway Investments that is involved in several real estate ventures and has successfully completed Cedar Springs and Cedar Valley developments. In 2016, he was awarded the Moran of the Order of the Burning Spear (MBS) for distinguished service to the nation from H. E. Uhuru Kenyatta, President of the Republic of Kenya. He was born in 1965 and was appointed to serve as the Chairman, National Environment Management Authority (NEMA) on 5th of July 2022. His term ended on 10th March 2023.</p>



 <p>Ms. Sophia Takaria Matura</p>	<p>Vice Chairperson</p> <p>Sophia Matura is a business and Finance Consultant with capital strategies (K) Limited. As a business and finance consultant Matura provides support to Micro, small and medium enterprises who are in partnership with Equity Foundation and Master Card Foundation by monitoring, coaching, offering customized business Advisory services and making follow ups.</p> <p>Matura has over 17years experience in Finance and Human Resource Management having worked both in the Non-Governmental Organizations and Private Partnership Financial Institutions. While at Mainyoito Pastoralist Integrated Development Organization (MPIDO), an NGO dealing with the pastoralist communities, Matura worked as a Finance Manager for 9 years and was very instrumental in Fundraising, Resource Mobilization and Donor Fund Management.</p> <p>Matura is a holder of MBO in Global Business and sustainability specializing in social entrepreneurship from the Catholic University of Milan & Bachelor of Commerce (Finance) from Jabalpur University India. She is also a holder of a postgraduate diploma in Human Resource Development and Certified SIVB (Start and Improve Your Business) trainer. She was born in 1977 and appointed a Board Member effective 10th March 2023.</p>
 <p>Dr. Lul Abdiwahid</p>	<p>Vice Chairperson</p> <p>Dr. Lul Abdiwahid is an Advocate of the High Court of Kenya. She holds an Honorary Doctorate Degree in Humanities from the University Graduate College and Seminary, USA, Masters in International Economics Law LLM from the University of Warwick UK, a Bachelor of Law LLB from the University of Kent in Canterbury, UK and Post Graduate Diploma from the Kenya School of Law, Nairobi. Lul is a World Civility Ambassador and has served at the Standards Tribunal for a term of five years, she is an Associate Member of Federation of Women Lawyers in Kenya (FIDA) and Chartered Institute of Arbitrators (CIARB Kenya). She is also the Chairperson of Pure Pearl Foundation and Swahilipot Hub which are non-governmental organizations serving the youth, women and vulnerable societies in Kenya. She was born in 1985 and appointed to the Board on 28th October, 2021 and was the Ag. Board Chairperson during the year. Her term ended on 10th March 2023.</p>
 <p>Dr. Paul Mwaura Ndundu</p>	<p>Board Member</p> <p>Dr. Paul Ndundu holds an Honorary Doctorate Degree & Humanitarian Diplomacy Diploma and Etiquette Protocol. Dr. Paul is a Director of Kenya National Congress Of Pentecostal churches and Ministries Coast. He is the President and Founder of Pentecostal Worship Ministries. Dr. Paul worked at Associated Vehicles Assembly as a Supervisor for 14 years, Almagated Metal Workers Union Coast Branch as a Chairman for 4 years & Evangelistic Sponsors Association as a Chairman for 20 years. He was awarded Certificate for Personal and Church Development First Baptist Church Atalanta. He was born in 1952 and appointed Board Member effective 10th March 2023.</p>



**National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2023**



Mr. John Muthusi Kimondiu

Board Member

John Kimondiu is a businessman with training and experience in Finance, Human Resource Management and Executive Level Management. He holds an IMHI Business school France Certification, Masters in Business Administration from Leicester University, KIM – HR Certification and is also a CPA. He has been a Finance Director and Head of operations at Eworld International Ltd, Kenya, Sentium Ltd, Kenya, Nexas International Ltd, Brazzaville Congo, Bemko Lda, Mozambique and Ekweta-FZCO, Dubai. He has also been a Resident Manager InterContinental Hotels Zambia and Area Director Human Resources at Africa for Finance Kenya. He been a Board member at China Africa friendship Association, various private organisations and Community programmes. He was born in 1963 and pointed a Board Member effective 10th March 2023.



Prof. Charles Kibanani

Board Member

Prof. Ngome holds a Doctorate Degree in Education and Development. He worked for the TSC/Kenyatta University, Commission for University Education, Masinde Muliro University of Science and Technology, Mount Kenya University, University of Nairobi at the Institute for Development Studies. Prof. Charles also consulted for several organization including the Ministry of Education in Kenya and UNICEF. He was the Deputy Governor of Bungoma County between 2017-2022. Prof. Charles is a member of the people living with Disability. He was born in 1959 appointed a Board Member effective 10th March 2023.



Dr. Loice Kipkiror

Board Member

Dr. Loice Kipkiror holds a Doctor of Philosophy in Environmental Sciences from University of Eldoret and a MSc. in Environmental Sciences from Moi University. She is a Lead Expert in Environmental Impact Assessment/Audit Expert with over 10 years' experience in environmental consultancy. Dr.Kipkiror is a registered Environmental Consultant, a member of Environment Institute of Kenya (EIK) and an opinion writer on environmental matters with a bias towards climate change and adaptation. She has over 10 years' teaching experience at the University level. She has been a member of Senate at the University and served as an Internal Auditor for Quality Management Systems. She has also been a member of several boards across different sectors of the Kenyan economy and currently sits on the Board of Management of the Kerio Valley Technical Training Institute. She was born in 1970 and appointed to the Board effective 10th March 2023.





Mr. Amos Andama

Board Member

Amos is a Doctor of Philosophy in Strategic Management at Mount Kenya University (on – going). Master of Business Administration (UON), BCOM Kenyatta University, SLDP & SMC at Kenya School of Government, CPA(KASNEB). Worked as CEC member for Education, Labour and Manpower Development Kisii County for 5 years, Ag. CEC member for Environment, Water, Natural Resources and Climate Change Kisii County for 3years. Amos worked as Management Accountant & Development Manager at Coca-cola Almasi Bottlers Ltd for 4 years, Manager at Barclays Bank for 5 years, Supervisor at KCB Bank, Centre Manager at Jamii Bora Bank. He was born in 1981 and appointed to the Board effective 10th March 2023.



Mr. Barako Elema Qatamur

Board Member (Attorney General representative)

Barako Qatamur currently works with the State Law Office and Department of Justice as a Parliamentary Adviser to the Attorney General and has worked with Judiciary for the last 11 years, 7 of which has been as Head of Protocol in the Office of the Chief Justice. Barako holds a Master of Arts in Diplomacy and International Studies from the University of Nairobi. He has a Post Graduate Diploma in Law from Kenya School of Law, a Bachelor of Laws Degree (LLB) from Mt. Kenya University School of Law; Bachelor of Arts in Journalism and Media Studies (Public Relations) from the University of Nairobi. He is Certified Professional Mediator and a member of various professional bodies including Law Society of Kenya, Public Relations Society of Kenya; Protocol & Diplomacy International–Protocol Officers Association and Mediation Training Institute International, USA. He was born in 1987 and appointed to the Board effective 10th March 2023.



Eng. Festus K. Ngeno

Principal Secretary, Ministry of Environment, Climate Change and Forestry

Eng. Festus K. Ng'eno is a Water Engineer providing expertise in Water Services, Water Resources, Sanitation, Hygiene (WASH), Climate Change, Geo-Information Systems (GIS) and Environmental Management. He honed these skills during the fifteen (15+) plus years he has worked in the Public, Private and NGO Sectors. He has served in several Boards, currently offering oversight as Vice-Chair and Director in the Board of World Vision Kenya, Vice-Chair and Director at Vision Fund Kenya, Governing Board Member at the 2030 Water Resources Group & Director in the Boards of NAWASSCO, NARUWASCO & NAIVAWASCO. He is also the Chairman, Board of Management at Baringo Secondary. Eng. Ng'eno holds an MSc Degree in Environmental & Water Engineering and BSc Degree in the same Course from the UoN. He also holds a Post Graduate Diploma in Leadership & Corporate Governance from KCA University and a Certification in Senior Leadership Development Program from the Kenya School of Government over and above numerous water sector continuous professional development training locally and overseas. He's currently pursuing a Doctorate Degree in Environmental and Water Engineering at the UoN. He's a Registered Graduate Engineer with EBK & also a Registered Lead Expert by National Environmental

	<p>Management Authority, Member of the Environmental Institute of Kenya & a Full Member at the KIM.</p>
	<p>Principal Secretary, National Treasury</p> <p>Dr. Chris Kiptoo is the Principal Secretary, National Treasury. He was appointed Principal Secretary by President William Samoei Ruto on 1st December 2022. Dr. Kiptoo is the immediate former Principal Secretary, Ministry of Environment and Forestry. Before that, he also served as a Principal Secretary at the State Department of Trade, Ministry of Industry, Trade & Cooperatives.</p> <p>In his working career, Dr. Kiptoo has acquired a rich wealth of experience in economic policy analysis, mainly gained at the Central Bank of Kenya, Capital Market Authority and the International Monetary Fund, where he has served in various capacities. His expertise especially relates to the design and implementation of monetary policy; balance of payments and exchange rates; fiscal operations and policy; financial sector matters including capital markets; national accounts/real sector and macroeconomic accounting, and modelling and forecasting.</p> <p>Additionally, Dr. Kiptoo has proven experience in environment and climate change policies, trade policy and regional integration, private sector development and advocacy, infrastructure development, institutional development of Government institutions and organizational management, all mainly gained at the Ministry of Environment and Forestry, State Department of Trade as well as Trade Mark East Africa. Noteworthy, he also has four years of experience in economic policy coordination gained while working at the then Office of the Prime Minister.</p> <p>Dr. Chris Kiptoo holds a Doctor of Philosophy Degree (PhD) in Finance (<i>International Macroeconomics Finance specialization</i>) from The Nairobi University, as well as a Master of Science (Ag. Economics) and Bachelor of Science (Ag. Economics) degree from Egerton University. He is also an Accredited Fellow in Macroeconomic Management Macroeconomic & Financial Management Institute of Eastern & Southern Africa (MEFMI).</p>

Dr. Chris K. Kiptoo





Hon. Justin Muturi (E.G.H.)

Attorney General

Hon. Justin Muturi is the Attorney General of the Republic of Kenya. Previously, He served as the seventh Speaker of the National Assembly of Kenya from 2013 to 2022. He was elected in 1999 as a member to represent Siakago Constituency in Parliament. He was re-elected in 2002 and served as opposition chief whip and chair of the Public Investment Committee during the 10th Parliament. He served as a member of the Parliamentary Select Committee on the constitutional review from 1999 to 2004. He was formerly a judiciary employee serving as a principal magistrate between 1982 and 1997 before retiring from judicial service. He also served as the chairman of the Judges and Magistrates Association during the time. He was a member of the Africa Parliamentarians Network Against Corruption, Global Organisation of Parliamentarians Against Corruption and the Parliamentary Network on the World Bank.



Mr. Noordin Osman Jama

Board Member

Noordin Osman Jama is a seasoned Maritime and Logistics expert with over 15 years experience in the sector. He is also an alumni of the University of Oxford having graduated in system analysis and design. He has participated in the planning, monitoring, implementation and evaluation of impactful projects both in government and the private sector and consequently driving economic transformation for the benefit of the country. He is an authentic and dynamic leader with the capacity to perform diverse responsibilities and unlocking opportunities for innovation and growth. He was born in 1982 joined the board on 6th July 2022. His term ended on 10th March 2023.





Dr. Rhonest Ntaya

Board Member

Dr. Rhonest Ntaya has over 27 years' experience in public service in Kenya and beyond having worked in various government organizations such as Kenya Agricultural Research Institute (KARI), Kenya Plant Health Inspectorate Service (KEPHIS) and Government Chemist Department, Office of the President, Republic of Kenya among others. He holds a PhD in Agricultural / Environmental Chemistry from University of Glasgow, United Kingdom and an MBA on Strategic Management from the Management University of Africa-Kenya and B.S.C Chemistry (India). He was born in 1960 and joined the Board on 6th July 2022. His term ended on 10th March 2023.

A handwritten signature in blue ink, located at the bottom left of the page.

	<p>Board Member (National Treasury representative)</p> <p>CPA Isabella Kogei is an Assistant Director of Budget. She represents the Principal Secretary, The National Treasury at the Board, having joined in December, 2019. She holds a Bachelor of Commerce (Accounting) and Master of Science (Finance) degrees from Kenyatta University; she is currently pursuing a Doctor of Philosophy (Finance) degree from the same University. Professionally, CPA Isabella Kogei is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and the Institute of Internal Auditors (IIA). CPA Isabella has vast experience in finance and accounting in both public and private sectors. She has performed roles in finance and administration and contributed to organizational resource planning, financial reporting and management at strategic level. CPA Isabella is currently in charge of Parliamentary Business at The National Treasury. She was born in 1983 and joined the Board in December 2019.</p>
	<p>Board Member (Principal Secretary Ministry of Environment Climate Change and Forestry representative)</p> <p>Ms. Annie Syombua represents the Principal Secretary of Environment Climate Change and Forestry at the Board. She is an advocate of the High Court of Kenya. She was born in 1975 and joined the Board in July 2019.</p>
	<p>Board Member</p> <p>Public and private sector Governance expert with over 23 years' experience. Media, Corporate and Strategic Communications Practitioner, Editorial Consultant, Community Affairs coach, Government Relations and policy expert. Public Relations professional. Member of the Media Council of Kenya (MCK), Public Relations Society of Kenya (PRSK). Served in the board of Kenya Broadcasting Corporation (KBC), National Industrial Training Authority (NITA), Radio Thome (Community Radio owned by the Catholic Diocese of Kitui) and the Kenya Union Of Journalists (KUJ). He is a communications Media and Public Relations graduate (UON). He was born in 1970 and appointed to the Board on 28th October 2021. His term ended on 10th March 2023.</p>
	<p>Board Member</p> <p>Shanu B. Abudho is an advocacy and Governance expert with over 15 years experience in community service. She is the founding director of Chalbi Scholars Organization, a grass root organization that support needy girls and boys access high school education. She has previously served as a climate change champion in Marsabit and other northern frontier districts in partnership with an NGO called Pastoralist Integrated Support Program. Ms. Shanu has a Bachelor of Arts degree in Sociology and Economics from Catholic University of Eastern Africa and a Master of Arts in Rural Sociology and Community Development from University of Nairobi. She is the Chair of Finance and Human Resources Committee of the Board.</p>



**National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2023**

	<p>She was born in 1977 and appointed to the Board on 28th October 2021. Her term ended on 10th March 2023.</p>
 <p>Mr. Samwel Nyangeso</p>	<p>Board Member</p> <p>Samwel Nyangeso is a governance and public sector leader with over 25 years experience. He has served as Chairman of Kenya National Library Services, Director of KBC, Mayor of Kisii County and Chairman of the Association of Local Government employers (ALGAE). He was born in 1963 and appointed to the Board on 28th October 2021. His term ended on 10th March 2023.</p>
 <p>Mr. Jeremiah Motari Matunda</p>	<p>Board Member (Attorney General Representative)</p> <p>J. Motari Matunda is an advocate of the High Court of Kenya and currently working at the Office of the Attorney General as Principal State Counsel. He holds a Bachelor of Social laws (BSL) and Bachelor of Law (LLB) Master of Laws (LLM) in International Environmental Law) from the University of Nairobi. Post graduate diploma in Corporate Governance. Post graduate diploma from Kenya school of law (KSL), Senior management course (SMC) and strategic leadership training program (SLDP) from the Kenya school of government-lower Kabete. He was born in 1979 and was appointed to the Board on 4th January 2022. His term ended on 10th March 2023.</p>
 <p>Mr. Chrisologus Makokha</p>	<p>Board Member (Inspector General, State Corporations, Office of the Deputy President representative)</p> <p>Mr. Chrisologus Makokha is the representative of the Inspector General, State Corporations, Office of the Deputy President. Before being appointed to the Inspectorate of State Corporations, he worked for the Central Bureau of Statistics, Ministry of Devolution and Planning. Mr. Makokha is currently a PhD in Business Administration student at Jomo Kenyatta University of Agriculture and Technology (JKUAT). He holds a Master of Business Administration from the same institution and a Bachelor of Science Degree in Applied Statistics with IT, Second Class Honors (Upper Division) from Kenyatta University.</p> <p>He has vast experience in Corporate Governance, Strategic Planning and Strategy Execution. He was born in 1969. He was appointed to the Board on 16th July 2021.</p>
 <p>Mr. Mamo B. Mamo, EBS</p>	<p>Director General</p> <p>Mamo Boru Mamo, EBS has over 20 years of experience in public service with 16 years of work experience at the National Environment Management authority (NEMA) having grown through the ranks to the position of Director General.</p> <p>Mamo holds an MSc in Environmental Education from Kenyatta University and a Bachelor's of science Degree from Egerton University. Currently, he is pursuing a PhD in climate change and Sustainability at Kenyatta University. He is an alumni of International Leadership Program (IVLP) Washington DC (USA) in Water Resources Protection (2013).</p>



***National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2023***

He was appointed as the Director General following a competitive process on 13th August 2020.

Mamo was awarded Elder of Burning Spear (EBS) accolade by H.E President Uhuru Kenyatta on 16th December 2021.



4. Management Team

<p>1</p>	 <p>Mr. Mamo B. Mamo, EBS</p>	<p>Director General</p> <p>Mamo Boru Mamo, EBS has over 20 years of experience in public service with 16 years of work experience at the National Environment Management authority (NEMA) having grown through the ranks to the position of Director General.</p> <p>Mamo holds an MSc in Environmental Education from Kenyatta University and a Bachelor's of science Degree from Egerton University. Currently, he is pursuing a PhD in climate change and Sustainability at Kenyatta University. He is an alumni of International Leadership Program (IVLP) Washington DC (USA) in Water Resources Protection (2013).</p> <p>Mr. Mamo was appointed the Acting Director General in July 2019 and subsequently appointed as the Director General following a competitive process on 13th August 2020.</p> <p>Mamo was awarded Elder of Burning Spear (EBS) accolade by H.E President Uhuru Kenyatta on 16th December 2021.</p>
<p>2</p>	 <p>CPA. Kennedy Ochuka</p>	<p>Director Corporate Services</p> <p>CPA Ochuka holds a Master of Business Administration (Finance) and Bachelor of Commerce (Accounting) from the University of Nairobi. He is also a Certified Public Accountant of Kenya and a member of the Institute of Certified Public Accountant of Kenya.</p> <p>He has previously worked as Finance Manager at Water Services Trust Fund and General Manager Finance at National Water Conservation and Pipeline Corporation on secondment. He joined the Authority in his current position in 2012.</p>
<p>3</p>	 <p>Ms. Linda Kosgei</p>	<p>Ag. Director Legal Services</p> <p>Linda holds a Master of Laws degree in Environmental Law from the University of KwaZulu-Natal in South Africa and a Bachelor of Law (Second Class Honours, Upper Division) degree from Moi University. She also holds a Post Graduate Diploma in Law from the Kenya School of Law. She is an Advocate of the High Court of Kenya having been admitted to the bar in the year 2007 and she is a member of the Law Society of Kenya (LSK). She is also a Certified Secretary and a Member of the Institute of Certified Secretaries (ICS). She is Currently pursuing a PhD in Environmental Law.</p> <p>She has previously worked as a Magistrate with the Kenyan Judiciary. She has also worked as a Lecturer in various public and private</p>



		<p>universities and has also practiced as an advocate in various Law firms. She was the Deputy Director Legal Services from 2016-2019. She was appointed as the Ag. Director Legal Services in 2019. She has in the recent years developed expertise in environmental law and policy among others.</p>
4	 <p>Mr. David Ongare</p>	<p>Director Environmental Compliance</p> <p>Ongare holds Master of Science in Biology and a Bachelor's degree in Education (Science) from Egerton University. He has worked as Deputy Director in charge of Environment Education and Information in the Authority. He has as well worked in various fields, including lecturing/ teaching Biology and rose through the ranks to become head of a school and examiner for the Kenya National Examination Council (KNEC). He was appointed the Director Compliance and Enforcement in 2015.</p>
5	 <p>Dr. Kennedy Ondimu</p>	<p>Director Environmental Services</p> <p>He holds a PhD in Environmental Planning and Management from Moi University. He has taught and supervised postgraduate as well as undergraduate students in environmental planning and management and tourism planning and product development. He has held senior management positions in the Ministry of Lands and at Moi University.</p>
6	 <p>CPA. Mildred Nganga</p>	<p>Director Internal Audit</p> <p>CPA. Nganga holds a Master of Business Administration (Finance) and Bachelor of Commerce (Finance) from the University of Nairobi. She is also a Certified Public Accountant of Kenya and a Certified Fraud Examiner. She is a member of the Institute of Internal Auditors, the Institute of Certified Public Accountants of Kenya, the Association for Certified Fraud Examiners and the Information Systems Audit and Control Association. She has previously worked at the Internal Auditor General's Department of the National Treasury where she served in senior roles and contributed significantly to systems of risk management, control and governance processes across various sectors. She was appointed as the Director Internal Audit in 2022.</p>





7

Dr. Ayub Mcharia

Director Environmental Enforcement

He holds PhD in Environmental Education from Rhodes University, South Africa. He has previously worked as a teacher with the Teachers Service Commission, as a lecturer at Kenyatta University and Strathmore University. He has top level management experience having served as the acting Director General in the Authority for a period of two years.

A blue ink handwritten signature or mark, possibly initials, located at the bottom left of the page.

5. Chairman's Statement

Dear esteemed Stakeholders,

It is my honour and pleasure to present to you NEMA's Annual Report and Financial Statements for the year ended 30th June 2023 this reporting period being my first term at the National Environment Management Authority. I appreciate His Excellency Dr. William Ruto for this appointment that will allow me to drive the environment agenda in the country.

The Government of Kenya through the Ministry of Environment Climate Change and Forestry has considered the environment as one of the key national priorities of Kenya in the Bottom-up Economic Transformation Agenda. Environmental conservation and response to the impacts of climate change are at the center of the Government's socio-economic transformation agenda.

Our Commitment

The Board commits to ensure the Authority delivers her tasks in accordance with the strategic plan and will support management to achieve the overall goal set out in Article 42 of the Constitution of Kenya 2010, to ensure every person has the right to a clean and healthy environment. The current strategic plan being in its last year of implementation, the board is keenly evaluating its achievements and challenges as we embark in development of the next cycle plan in line with the government's agenda.

During the year under review, the Cabinet Secretary appointed six new Board members. It is my hope that the new team will settle in swiftly to steer the Authority's performance to greater levels.

Operations

To improve quality of environment and to further monitor the scenarios of environmental and natural resource changes, Government of Kenya, through the National Environment Management Authority (NEMA), produces the State of Environment Report every two years as provided under EMCA section 9 (2) (P). It spells strategies that would provide sustainable management of the environment and natural resources for the country both at the National and County level. The Authority finalized the Draft National SoE 2022-2024. The report will be forwarded to the Cabinet Secretary for Environment for further submission as required by the law.

In line with the Kenya Kwanza manifesto of uplifting hustlers, the Authority mapped informal waste collectors' groups (Hustlers) in 8 Regions and identified 284 waste collectors: Coast 52, N. Eastern 19, Western 68, Nyanza 18, Rift Valley 46, Nairobi 65, Central 4, and Eastern 12. The authority will consider the identified groups in future environment activities and capacity building.

Public behavioural change is key in environmental management. During the year, NEMA undertook two sector-based trainings in environmental management targeting steel mills and tanneries. We further conducted Environmental Award Scheme where the winners of the essay and art competitions and environmental champions during 4 World Environment Days commemorations were awarded.

To Strengthen the Regulatory Framework for Environmental Management, the Authority reviewed 2nd Schedule of the EMCA, 1999 on Risk Categorization of Projects and submitted to the Ministry of Environment Climate Change and Forestry for inclusion in EMCA amendment. NEMA further, revised Environmental Management and Coordination (Biodiversity, Access to Genetic resource and Benefit Sharing; conducted

stakeholder validation for Sand Harvesting Regulations; and finalized the Air Quality Regulations and conducted Stakeholder Consultations in 8 Regions and held a National Validation Meeting.

We are also proud that the Authority received various recognitions for its outstanding performance by various international and national bodies. NEMA was recognised as the runners up of the UN person of the year in recognition of the Authority's efforts for plastic bag enforcement. The Authority was also recognised as the second-best national government institution in the SDG Awards. This award, I believe is a testimony and confirmation that the efforts of the Authority, amid the multitude of challenges bears fruit that is recognized by stakeholders but more so contributes to the sustainable management of the environment. I wish to congratulate the Director General, management and entire staff on this achievement.

Financial performance

The Authority realized revenues amounting to KES. 1.93 billion which was an increase of 17.4 % on KES 1.65 billion raised the previous year. Exchequer allocations amounted to KES 1.08 billion and constituted 56 % of the annual revenues. The Authority collected KES 606.14 million in Appropriations in Aid (AIA) compared to 196.94 million in the previous year. The Authority realized a deficit of KES 38.81 million.

Challenges

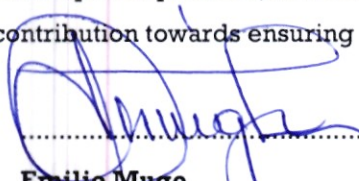
Inadequate funding coupled with low staffing levels provides the greatest threat to the achievement of our mandate. Low implementation of devolved environmental functions together with inadequate infrastructure also hampers our operations. Looking into the future, we see opportunities as well as new challenges that the Authority must deal with. The Board is keen on mobilizing resources to undertake all activities stipulated in the current strategic plan. We are grateful for the Government support in ensuring the Authority performs its functions as demonstrated in the approval of the organizational structure though funding is required for implementation.

The future and Conclusion

NEMA will strategically align its activities with environmental laws as well as the Bottom-Up Economic Transformation Agenda (BeTA) which outlines the government priority focus areas for development. Environment and Climate Change as an enabler to the government agenda, we will strive to provide a clean, healthy, safe and sustainably managed environment that is consistent with Chapter Five of the Constitution of Kenya. We remain optimistic in the measures that have been put in place and being undertaken by the Government to spur economic growth which will in turn support the protection of the environment.

Appreciation

On behalf of my colleagues in the Board, I extend my sincere appreciation to the Government of Kenya through the Ministry of Environment Climate Change and Forestry, our esteemed stakeholders, development partners, the management and staff of the Authority for their continued support and significant contribution towards ensuring a clean and healthy environment in the country.


.....
Emilio Mugo
Chairman of the Board

08/03/2024
.....
Date
Nairobi

6. Report of the Director General

It is my privilege to present the Annual Report and Financial Statement of the National Environment Management Authority (NEMA) for the financial year ended 30th June 2023. Despite the socio-economic and political challenges facing the country, the Authority resiliently continued to pursue its mandate of ensuring sustainable management of the environment by supervising and coordinating environmental matters and being the principal instrument of Government of Kenya in the implementation of all policies relating to the environment in Kenya as entrenched in Environmental Management and Co-ordination Act 1999 (EMCA 1999) and Article 42 of the Constitution of Kenya.

Operations

The Authority operations were guided by the Strategic Plan for the FY 2019/2020- 2023/2024 which has six pillars and 22 objectives. The Authority made a significant stride in the achievement of the objectives in the six pillars of the strategic plan namely; Pillar 1: Environmental Quality Protection and Conservation, Pillar 2: Ecological Integrity of Ecosystems, Pillar 3: Climate change, Pillar 4: Environmental Governance & Coordination, Pillar 5: Green economy for Sustainable Development, Pillar 6: Institutional Capacity.

In a bid to bring on board all facilities in compliance with various environmental regulations, the Authority continued mapping and updating its inventory of regulated facilities. During the reporting year, regulated facilities database was updated using secondary data from related regulatory agencies and some ground verification. Regulated facilities mapping and categorization was undertaken in Mombasa County.

In our role of enforcing environmental legislation and standards, 104 Environmental Crimes and civil cases were prosecuted countrywide. The authority managed to process the following licenses; 2,012 EDL, 9,147 EIA, 664 Experts, 725 waste transportation and 65 for disposal sites, 302 Air quality licenses and 106 Biodiversity permits issued. We managed to undertake 17 Control audits for incinerators/power plants, petroleum depots and tea factories.

Despite the institutional resource challenges, the Authority made great effort to respond to reported environmental incidents. During the year, 2,126 environmental incidents reported country wide and 1,919 Incidents responded to through our environmental Incident Management Unit (IMU).

The Authority continued to enforce the ban on plastic bags where 602 inspections were undertaken against a target of 600 targeting Vendors, importers, border points and, manufacturers. Five cases were prosecuted and 400,000 pieces of banned plastic bags seized. The achievement is attributed to the joint enforcement efforts between NEMA, National Police Service and respective county governments.

Under waste management, other than the identification of waste collector groups as guided by the BETA model, the Authority also Capacity Built 10 Waste transporters & disposal facilities and a further 10 steel mills and tanneries on Environment Management and regulations and the need to work with licensed waste transporters and disposal facilities.

To promote public behavioral change in environmental management, the Authority continued to equip NEMA Library, Resource Centres and other Information Centres based at the various NEMA green points.



In this regard, some informational materials were sent to Samburu, Isiolo, Kajiado and Taita Taveta, Homabay, Siaya green points, Nairobi, KU universities, stakeholders' organization, all KNLS branches, KFS, NMK. We further continued to engage the public on environmental activities through exhibitions. We managed to put up exhibitions during the Green Expo and National Dialogue on solutions to plastic pollution at the KICC, Nairobi, Mombasa International show, EIK Conference, Woodtech Expo, Jamhuri Day Expo, 12th African RCE meeting, Muthaiga Golf tournament, and all environment days held in Narok, Nakuru and Kitui counties respectively.

The Authority has continued to support counties to uptake devolved environmental functions. To this end, NEMA has facilitated Capacity Building Workshops on Devolved Environmental Functions for CECs in four counties namely Kirinyaga, Muranga, Kitui and Kisii County Government on solid waste management.

We continued to ensure conservation and management of aquatic and terrestrial ecosystems through development and implementation of management plans for various ecosystems across the country. Management plans for Lake Jipe and Sabaki estuaries were finalised during the year. Rehabilitation and restoration activities (Fencing, spring protection and trees planting) was done on two water springs Origuda and Oridiga. In partnership with other agencies, the Authority managed to do pegging and delineation in the Southern part of Lake Naivasha. Assessment was further undertaken for Lakes Ellis, Alice, Michaelson, Homel, Hidden Tarn, Carr.

We further created awareness on environmental legislations and guidelines (New Act on Waste management, Climate change using various channels including exhibitions at green points and environment days, RRI on EDL and plastics and social media platforms among other channels and events. Key on the awareness of the new Act is the sensitization of 40 Environment and Land Court (ELC) magistrates on solid waste management.

In the year ended 30th June 2023, we joined the international community in Commemorating the World Clean-up day, World Oceans day, World Wetlands Day, World Environment Day and the World Desertification and Drought day with tree planting and sensitization of public on environmental issues. We also worked closely with other agencies in the Ministry of Environment Climate Change and Forestry towards achieving the President's target of 15 billion tree growing. To this we planted 262,260 tree seedlings in all the 47 counties.

We note the important role urban rivers play in the management of urban areas in the country. We continued with the Clean-up of upstream Thwake dam and it's Catchment through the Athi-Galana-Sabaki River pollution control strategy. During the year under review, 53 illegal discharges stop orders were issued; 14% - of illegal discharges stopped; and 5km Michuki park improved by removal of solid waste by casuals at the park. One clean-up exercise was done in partnership with the County government during the launch of Nairobi River commission at Korogocho People's Park.

We have endeavoured to promote green economy by assisting industries adopt cleaner production approaches by reducing of waste generation at source; enhancing capacities of county governments to

**National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2023**

engage the private sectors to mainstream GE approaches. To this end, the Authority has prioritized promotion of cleaner production approaches in industry for reduction of waste generation at source. To further achieve this objective, Effluent sampling for 15 recruited industries in Kwale was done to determine the baseline on environmental quality of COD and BOD and selection of best cleaner production approaches through compliance assistance; 7 industries were assisted to comply with the environmental standard; and 4 industries adopted cleaner production in the coast region.

To enhance service delivery, the Authority revised the institutions service delivery charter to incorporate new developments in our mandate. The Authority's charter was transcribed to braille so as to cater for the needs of customers with visual impairments. We continue to ensure automation of our services and ensuring connectivity of all our offices countrywide. The upgrade of our Nationwide Licensing System is ongoing. During the year, the Authority managed to Connect to the National Optic Fibre Infrastructure through the ICT Authority to enhance internet connectivity for NEMA services; automation of renewal of EDLs by existing clientele derived by developing a Facility Database; automating of Environmental Audit module; and automation and decentralization of the Incident Management Module. This aimed at enhancing positive customer experience.

Financial Performance

The allocations received from the Exchequer amounted to KES. 1.08 billion. Realized revenues amounted to KES. 1.94 billion. This was an increase of 17.2 % on KES 1.65 billion raised the previous year. The Authority has diversified its revenues streams in order to boost the revenue base and reduce the over reliance on The National Treasury. The Authority collected KES 606.14 million in Appropriations in Aid (AIA) compared to 196.94 million in the previous year. The Authority realized a deficit of KES 38.81 million.

Further, we realized a revenue of KES 249.07 million from development partners mainly through the Adaptation fund, Green climate Fund (GCF) and the World Bank funded project Africa Environmental Health and Pollution Management Project.

The Authority's expenses were KES 1.98 billion. This represents a 18.5% increase from last years of KES 1.67 billion. Staff costs remain the major cost component accounting for 55.7% of total expenses.



.....
Mr. Mamo B. Mamo, EBS
Director General



.....
Date
Nairobi



National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2023

7. Statement of Nema's Performance Against Predetermined Objectives for FY 2022/2023

As per Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 the statement of the NEMA performance against predetermined objectives is presented below.

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Environmental Quality Protection and Conservation	To improve quality of environment	State of Environment Report	Develop NSoE 2022- 2024	Draft SoE 2022-2024 prepared.
		% of cases investigated and prosecuted	Undertake investigations of Environmental Crimes, Crime scene visits, Arrest operations	78% of cases received, investigated and enforcement actions taken
		Regulated facilities mapping report	Updating inventory and maps of regulated facilities	Regulated facilities database updated using secondary data from related regulatory agencies
		E-waste inventory	Finalize development of e-waste inventory	e-waste inventory finalized
		No. of licenses issued	Processing of various licensing regimes	Processed 2,012 EDL, EIA 9,147, 664 Experts, 725 waste transportation and 65 for disposal sites, 302 Air quality, licenses and 106 Biodiversity permits issued
		% of incidents responded	Manage and Respond to Environmental incidents	2,126 environmental incidents reported country wide and 1,919 Incidents responded to
	To promote sustainable natural resource utilization	No. of MDAs and Lead agencies trained on Environmental Sustainability	Train the MDAs and Lead agencies on Environmental Sustainability	Capacity Built on Environmental Sustainability Mainstreaming for 16 MDAs
		% of Quarterly MCDA Reports reviewed	Enhance Environmental Sustainability in Ministries, Counties, Depts and Agencies (MCDA)	29 MDA reports received reviewed and feedback given
	To promote public behavioral change in environmental management	No. of sectors Trainings on environmental	Undertake 2 sectors-based trainings in environmental management	Trained steel mills and tanneries
		No. of Resource Centres Equipped with information materials	Equip the NEMA Library, Resource Centres and other Information Centres	Materials sent to Samburu, Isiolo, Kajiado and Taita Taveta, Homabay, Siaya green points, Nairobi all KNLS branches
		Environmental compliance Award Scheme conducted	Conduct Environmental Award Scheme (Appraisals and Awarding Ceremony)	Awarded the winners of the essay and art competitions and environmental champions during 4 World Environment Days commemorations
Pillar 2: Ecological Integrity of Ecosystems	To promote conservation and management of aquatic and terrestrial ecosystems	No. of management plans printed and launch report	Print and launch Sabaki Estuary management plan	Sabaki Estuary Management plan printed and launched
		No. of sites rehabilitated and restored	Finalize/Undertake Rehabilitation and restore degraded sites in Chalbi sites/regions	Rehabilitation and restoration activities (Fencing, spring protection and trees planting) done on 2 water spring Origuda and Oridiga
		Validated management Plans	Develop and implement Environmental Management Plans for Lake Jipe and Sabaki estuaries	Lake Jipe management plan developed and validated. Sabaki estuary management plan finalized

National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2023

Pillar 3: Climate Change	To support reduction and monitoring of Green House Gases (GHG) emissions	No. of reports prepared	Establish a regulatory framework for GHG emissions	Tools developed and validated by stakeholders
	Support implementation of CCA, NAP, NDC, NCCAP	No. of major Urban areas ambient air quality monitored	Undertake ambient air quality monitoring in 6 urban areas	Ambient air quality monitoring undertaken for Mombasa, Kisumu, Nairobi, Nakuru, Eldoret, and Kisumu
Pillar 4: Environmental Governance & Coordination	To Strengthen the Regulatory Framework for Environmental Management	Revised Environmental Management and Coordination	Review the Environmental Management and Coordination	2 nd draft generated on Management and Coordination (Biodiversity, Access to Genetic resources and Benefit Sharing) Regulations, 2006
			Development of the Sand Harvesting Regulations	Draft Regulations in place. Stakeholder Consultations in additional Regions held in Taita Taveta and Nakuru and stakeholder views incorporated.
		Air Quality Regulations	Finalize the Air Quality Regulations Conduct Stakeholder Consultations in 8 Regions Conduct a National Validation Meeting	Regional stakeholder meetings held in Eldoret, Mombasa and Kisumu and stakeholder comments incorporated
		No. of Counties trained in DEF legislation	Implementation of capacity building programs for CECs on their roles and responsibilities	Capacity Building Workshop on Devolved Environmental Functions for CECs Four counties trained Kirinyaga, Muranga, and Kitui. Kisii County Government assisted on solid waste management
		No. of persons sensitized on environmental legislations and guidelines	Create awareness on environmental legislations and guidelines (New act on Waste management, Climate change)	Created awareness to 26778 persons in various environmental Activities.
		No. of World environment day's commemorated	Perform international obligation under MEAs)	Commemorated the World Clean-up day, world Oceans day, world wetlands day, world environment Day and the world Desertification and Drought day with tree planting and sensitization of public on environmental issues
		No of COPs participated No. of country papers developed No. of National reports prepared	Contribute to the development of country position papers and participate in negotiations of MEAs and National reporting on MEAs.	Contributed to the development of country position papers and participated in negotiations at various MEAs and for a.
	Establish an environmental supervisory and coordination mechanism for various stakeholders	Signed FOC	Develop a governance and coordination framework for county governance to operationalize the Framework of cooperation with 47 county governments	Framework of cooperation on the devolved environmental functions: Noise and solid waste management with County Governments of Kisii and Nairobi negotiated
Pillar 5: Green economy for Sustainable Development	To promote sustainable blue economy	No. of Wetland inventorized	Inventorize coastal and wetland resources in Lamu and Kilifi counties	Rapid assessment undertaken in partnership with the County Director of Fisheries of Kilifi and Lamu
		No. of Meeting reports	Coordinate implementation of Marine Litter Management Action Plan	Action Plan disseminated in a conference in Kilifi and during Clean-up the World Day in Kwale
	Clean up of upstream Thwake dam and its Catchment through the Athi-Galana-Sabaki River pollution control	No. of stakeholders engagement Quarterly	Hold Stakeholders meetings (upstream, Mid-stream and Downstream) on the cleanup of the Athi Sabaki river	Partnered with National Youth Council and Office of the Spouse of the Deputy President to role out Nairobi Rivers clean-up campaign. Developed Concept and Roadmap
		% of illegal discharges stopped	Undertake Inspections within Athi-Sabaki Basin for	53 illegal discharges stop orders issued



**National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2023**

	strategy		stoppage of illegal discharge	14% - of illegal discharges stopped 5km Michuki park improved by removal of solid waste by casuals at the park
		No. of awareness materials on Blue Economy disseminated	Develop and disseminate awareness materials on Sustainable Blue Economy	Materials developed and disseminated during the World Clean-up Day
	To promote green economy	No. of awareness materials on Green and Circular Economy disseminated (Capacity Building and awareness to promote Green and Circular Economy	Undertook dissemination of Green and Circular Economy promotional awareness materials during Coastal Region Annual Green Expo at Taita Taveta and Lamu Green Points
Pillar 6: Institutional Capacity	To Strengthen Corporate Governance	Quarterly Board reports	Facilitate Board meetings /Activities	Board meetings and activities held as planned
	Coordinate Improve Visibility and corporate image	% of corporate activities and events covered	Implement corporate communications strategy	Provided coverage for over 86 activities among them; Launch of national tree planting by the President at Ngong Hills -NEMA wins the UN Person of the year 2022
		No of Media engagements	Undertook integrated media campaigns on environment management activities	Campaigns undertaken; -Baobab export in Kilifi -Draft Sand harvesting regulations in Kitui and Homabay -Campaign on e-waste-e-waste regulations -Tree planting at Ngong Hills and in various NEMA County offices
		No of branded merchandise	Identify and procure branded merchandise	Branded merchandise procured among them; Cargo jackets, Puff jackets, Branded caps, Umbrella, Gumboots, Water bottles, Bowl hats, Polo shirts, Notebooks
	To Strengthen Human Capital	Updated institutional skills inventory report	Update institutional skills inventory	Updated institutional skills inventory report
		No. of staff trained		175 staff trained on various courses
		M&E Reports	Monitor and evaluate County Governments compliance with assigned climate change duties under the Climate Change Act, 2016	6 counties monitored and evaluated on Compliance with assigned climate change duties
	Provide adequate office space and utilities	No. of centres of excellence completed	Provide adequate office space and utilities	Construction of Centers of Excellence in Marsabit, Nyandarua, Nyamira and Narok Counties on-going.

During the period, the Authority derived its annual work plan activities and performance contract targets from the Strategic Plan for 2019-2024. The implementation of the same was reported on a quarterly basis to management, the Board and the inspectorate of State corporations to assess progress made. The performance contracting targets have also been reported within the matrix.

**National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2023**

**8. Corporate Governance Statement
Establishment**

The Board of Management for the National Environment Management Authority (NEMA) is established under the Environmental Management and Co-ordination Act (EMCA), 1999.

Board Meetings

Full board meetings

During the year, the Board of Directors held a total of 10 meetings outlined as follows, 4 ordinary full board meetings, 5 special board meetings and 1 adhoc committee meetings.

Full Board meetings 2022-23 FY

Board Members	Ordinary	Special	Adhoc committee	Grand Total
Eric Wagithuku Mungai	4	3		7
Lul Abdiwahid	4	3	1	8
Annie Syombua	2	3		5
Charles Mulila	4	3	1	8
Samuel Nyangweso	4	3	1	8
Shanu B Abdudho	4	3	1	8
Chrisologus A Makokha	1			1
Isabella Kogei	3	4		7
Jeremiah Motari Matunda	4	3		7
John M. Kimondi		1		1
Amos Andama		2		2
Barako Qatamur		2		2
Charles K. Ngome		1		1
Emilio Mugo		1		1
Loice J. Kipkiror		2		2
Sophia T. Matura		1		1

Committee Meetings

Members	Audit, Governance and Risk Management Committee Meetings	EM&CO meetings	Finance and Human Resource Committee meetings	Strategy, legal and resource mobilization committee meetings	Total
Samuel Nyangeso	4	4		3	11
Chrisologus A Makokha	2		3		5
Charles Mulila	4	4	1	3	12
Amos Andama	2	3			5
Isabella Kogei	6		11	1	18
Jeremiah Motari Matunda	4	1		5	10
Barako Qatamur	2			2	4

**National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2023**

Loice J. Kipkiror	2	4			6
Shanu B Abudho		4	8	3	15
Lul Abdiwahid		5	8	5	18
Annie Syombua		7	13	7	27
John M. Kimondiu		3	4		7
Charles K. Ngome		3		4	7
Paul Mwaura			3	3	6
Sophia T. Matura			4	3	7
Total	26	38	55	39	158

Succession Plan

The board is made up of seven independent non-executive directors who consist of a Chairperson appointed by the President for a period of three years unless the term is renewed, the rest are appointed by the Cabinet Secretary. This is also for a period of three years unless renewed. Five directors representing various government departments are also appointed to the Board to represent the specific institutions. The directors representing various government departments are the Principal Secretary Ministry of Environment Climate Change and Forestry, the Principal Secretary the National Treasury, the Attorney General, the Inspector General, State Corporations and the Director General.

Board Charter

The Board has a Board Charter to facilitate its governance system. Each Board member signs the Charter to commit to its provisions.

Process of appointment and removal

Appointment and removal of Board Members is done through a gazette notice for the non-executive directors. The Chairman is appointed and removed by the President through a gazette notice while the other non-executive directors are appointed or removed by the Cabinet Secretary. Five directors representing various government departments are also appointed or removed by a letter received from the specific institutions they are representing.

Roles and Functions of the Board

As guided by EMCA, the State Corporations Act, Cap 446 and other relevant laws of Kenya, the Board's role is to provide effective leadership and control, in terms of approving the NEMA's strategy and ensuring best practice of corporate governance.

The Board retains full and effective control over the Authority by monitoring the implementation of Board plans and strategies, review of management accounts and major capital expenditure. It reviews processes for the identification and management of risks as well as those concerning compliance with key regulatory and legal areas.

The Board also reviews the NEMA's succession plans for the management team and endorses senior executive appointments, organisational changes and remuneration matters. It is concerned with key elements of the governance processes which sustain the operations of the Authority, performance reporting processes as well as other disclosure requirements.

Induction, Training and Development

All members of the Board of Management are taken through a comprehensive induction programme and adequately trained on their roles through various corporate governance trainings. The Directors are professionals, committed and guided by the Mwongozo code of governance for state corporations and the Authority's mission, vision and core values in the execution of their duties.

Board and Member Performance

At the end of each financial year, the Board, its Committees, individual directors and the Director General conduct a self-evaluation under the coordination of an independent body against targets agreed to at the beginning of the year.

Conflict of Interest

The independence of the Board from the NEMA's corporate management is ensured by the separation of the functions of the Chairperson and Director General and a clear definition of their responsibilities.

The Chairperson is a non-executive Director and is primarily responsible for providing leadership to the Board while the Director General is responsible for the day-to-day management of the Authority. This achieves an appropriate balance of power, increased accountability and improved capacity for decision making thereby reducing conflict of interest.

To reduce conflict of interest the Board also exercises strategic leadership, enterprise, integrity and judgement in managing the Authority.

Board Remuneration

In accordance with guidelines provided in the State Corporations Act, the Directors are paid taxable sitting allowance for every meeting attended, as well as travel and accommodation allowance while on the Authority's duty. The Chairman is also paid a monthly honorarium.

Ethics and Conduct

The Authority has a Code of Ethics and Service Charter that is applicable to all employees. These are two of a number of Standing Instructions to employees of the Authority designed to enhance internal control. The Authority has also designed a set of standing instructions to be followed in the management of various functions in the organization.

Statement of Compliance

The Board of Directors confirms that National Environment Management Authority has throughout the 2022/2023 financial year complied with the entire Statutory and Regulatory requirement and that the Authority has been managed in accordance with the principles of Corporate Governance.

9. Management Discussion and Analysis
Operational Performance

The NEMA Strategic Plan sets out NEMA's vision, mission, goals and objective to ensure achievement of positive outcomes for our environment. The plan provides a road map for NEMA to achieve its mandate of ensuring a clean and health environment for all.

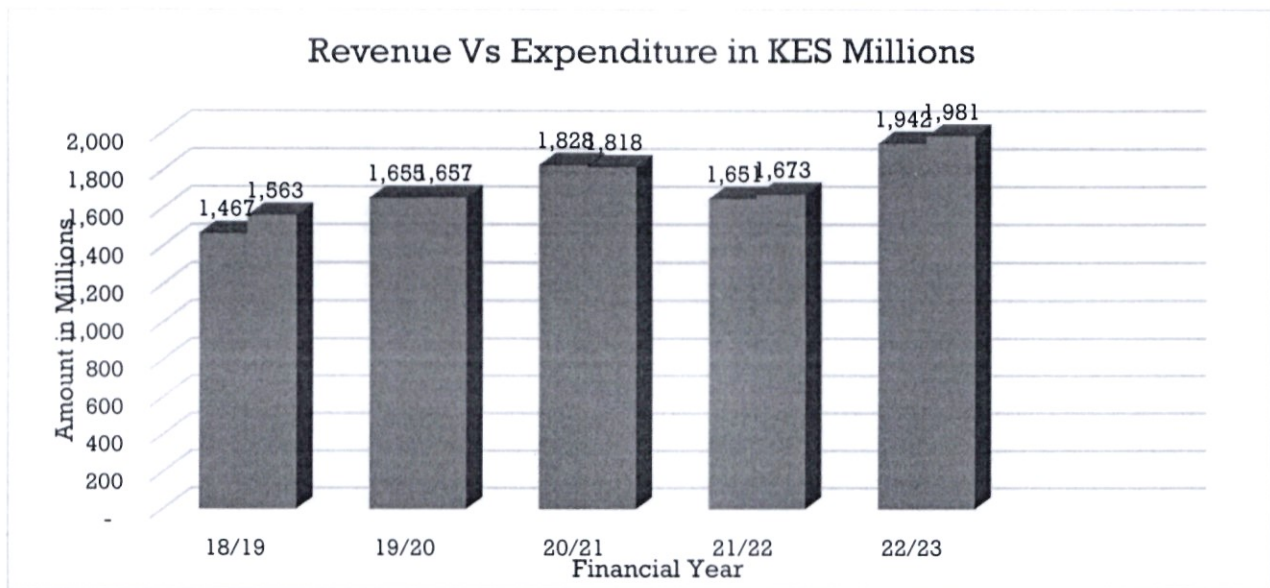
During the year, 1,919 environmental incidents were received, classified and responded to. The Authority is mandated to undertake compliance and enforcement of the environmental regulations in place. In the financial year under review the Authority processed 2,012 effluent discharge licenses for regulated facilities. This was enabled by the development and regular updating of an inventory and mapping and risk categorization of regulated facilities database in all counties. EIA licenses totalling 9,147 were processed. 725 licenses for waste transportation, 65 licenses for disposal sites, 302 Air quality licenses and 106 Biodiversity permits issued. This is in comparison to 861 environmental incidents being received, classified and responded to in the year 2021/2022. In the year 2021/2022 the Authority processed 2,695 effluent discharge licenses for regulated facilities and EIA licences totalling 4667. In the period 2020/2021 1,464 regulated facilities were inspected and reports prepared for the same. Further, 1402 effluent discharge licenses for regulated facilities were processed and EIA licences totalling to 3,127.

To promote conservation and management of aquatic and terrestrial ecosystems, the Authority undertook rehabilitation and restoration activities (Fencing, spring protection and trees planting) on two water spring Origuda and Oridiga degraded sites in Chalbi. Environmental Management Plans for Lake Jipe and Sabaki estuaries were aslo developed and validated. Further restoration and rehabilitation activities were undertaken for Lake Kisima in Samburu and Gambela wetlands in Meru - Planted 2,500 seedlings at Gambela fenced 40% of Lake Kisima

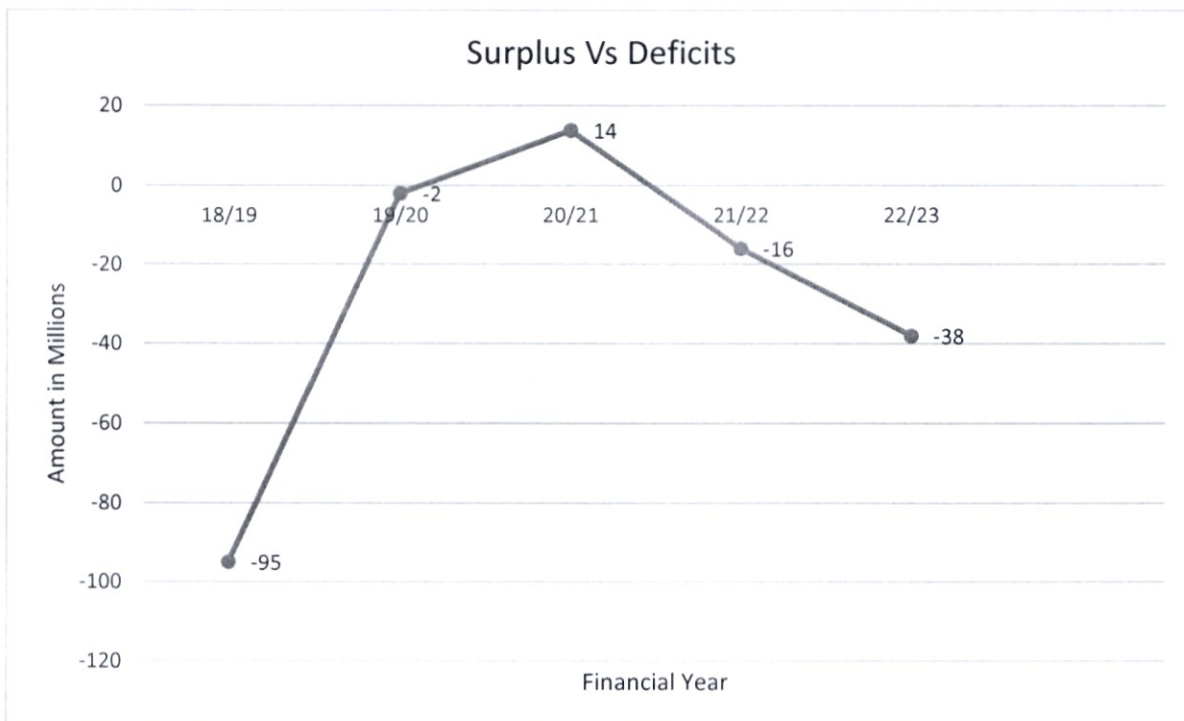
Financial Performance

Revenue Vs Expenditure					
	18/19	19/20	20/21	21/22	22/23
Revenue	1,467	1,655	1,828	1,651	1,942
Expenditure	1,563	1,657	1,818	1,673	1,981

**National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2023**



Surplus Vs (Deficits)						
Year	18/19	19/20	20/21	21/22	22/23	
Amount		(95)	(2)	14	(16)	(38)



The allocations received from the Exchequer allocations amounted to KES. 1.08 billion. Realized revenues amounted to KES. 1.93 billion Which was an increase of 17.4 % on KES 1.65 billion raised the previous year. The Authority has diversified its revenues streams in order to boost the revenue base and reduce the over



reliance on The National Treasury. The Authority collected KES 606.14 million in Appropriations in Aid (AIA) compared to 196.94 million in the previous year. The Authority realized a deficit of KES 38.81 million.

Further, we realized a revenue of KES 249.07 million from development partners mainly through the Adaptation fund, Green climate Fund (GCF) and the World Bank funded project Africa Environmental Health and Pollution Management Project.

The Authority's expenses were KES 1.98 billion. This represents a 17.2% increase from last years of KES 1.67 billion. Staff costs remain the major cost component accounting for 55.7% of total expenses.

Key Projects

In the financial year, NEMA Continued to implement the "Integrated Programme to Build Resilience to Climate Change; Adaptive Capacity of Vulnerable Communities in Kenya" under United Nations Framework Climate Change Convention (UNFCCC). The project sponsor is The Adaptation Fund Board. The overall objective of the programme is to enhance resilience and adaptive capacity to climate change for selected communities in various Counties in Kenya in order to increase food security and environmental management. The project also has 3 Executing Entities (EEs) and 8 Sub-Executing Entities (Sub-EEs). During the year, the Authority undertook most construction projects under this programme after centralization of the procurement process at NEMA.

The Authority also continued implementing the World Bank funded project Africa Environmental Health and Pollution Management project. The total cost of the project is USD 8,073,395 and the project duration is from 2020 – 2025. In Kenya, the National Environment Management Authority (NEMA) is the executing agency and the project main objective is to strengthen institutional capacity to manage and regulate e-waste and related UPOPS in Kenya. The project is founded on the basis that Electronic and e-waste commonly referred to as e-waste is emerging as one of the most critical environmental challenge globally, regionally and nationally. Currently e-waste accumulation is reaching unsustainable level and owing to management challenges, they are becoming a major source of environmental pollution and can lead to severe human, health and environmental hazards. The Authority through the Development Grant – Centre of Excellence is constructing the Marsabit, Nyandarua and Nyamira County green points.

Entity's compliance with statutory requirements

During the year the Authority complied with all Statutory and Regulatory requirement and there are no major non-compliance issues that may expose the Authority to potential contingent liabilities.

Major risks facing the entity

In execution of its mandate the Authority faces various risks key among them inadequate funding, attributed to devolved environmental functions, inadequate staffing levels, inadequate infrastructure, equipment and office space, lack of harmonized laws and regulations on environmental matters and delay in the determination of the environmental matters in courts. However, with the return of the collection of Environmental Impact Assessment fees, the Authority is expected to enhance its revenue level.

10. 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 include: 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.
- Assist NEMA to mobilize its departments to review their ISO standards operating procedures (SOP), tools and instruments and introduce elements that enhances environmental sustainability and climate change compliant
- Assist NEMA to examine their tools, instruments of engagement with the partners, stakeholders and regulated constituencies in order to integrate aspects that demonstrate environmental sustainability and climate change compliance

The Kenya National Environmental Performance Index (KEPI) is one of the Authority's success stories in environmental sustainability. KEPI is a new environmental management frontier championed by the National Environment Management Authority (NEMA) to lead to further creation of opportunities in environmental management knowledge, skills and experience at National and County levels. This report presents the baseline results for the KEPI and County EPIS'. The report was developed in close consultation



with the line ministries, government departments, government agencies, County officers and private sector institutions.

Purpose and Objectives of the KEPI

The KEPI provides a tool for continually assessing progress towards established targets for priority setting and potentially for resource allocation. This tool assists the MDAs and line ministries to lobby decision makers for appropriate resource allocation in underperforming areas. Other objectives of the KEPI are to:

1. Be part of a knowledge management system aimed to inform future policy and programming, thereby contributing to the promotion of policy dialogue
2. Acts as a tool for enhancing compliance and enforcement
3. Assist in building collaborative partnerships between the public and the private sector
4. Act as a supportive tool for capacity development

The KEPI also evaluated all the 47 counties based on County indicators agreed upon with stakeholders.

Other milestones the Authority has made in environmental sustainability include;

1. Reviewing of EMCA, 1999 so as to strengthen the regulatory framework for Environmental Management,
2. Implementation on the Ban of single use plastic bag
3. Green points design and construction incorporated aspects such as rainwater harvesting, waste water recycling technologies, low energy consumption, among other features in order to practically interpret the green economy concept in our context here in Kenya.
4. Development of environmental sustainability curriculum for internal and external clients training
5. Implementation of the pollution control strategy for Nairobi River Basin

Challenges

Issues of environmental management in Kenya such as air pollution, climate change impacts, water pollution, biodiversity loss, poor waste management, invasive species, deforestation, encroachment of riparian reserves and wetland ecosystems, poor land use planning and limited knowledge on environmental protection continue to pose a big challenge to the authority's mandate. Nationally, resource allocation for environment sector is a key inhibiting factor for effective management of environment.

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 and disability



considerations. On careers, we have a progressive career guideline. Biannual and annual staff performance appraisals are conducted and rewards and sanctions determined.

iv) Market place practices

Access to Government Procurement Opportunities (AGPO): The Authority strictly adheres to the Presidential directive on Access to Government Procurement Opportunities (AGPO) which include to youth, women and PWDs as individuals or in organized groups. The Authority prequalified the registered groups as affirmative action. The three (3) target groups were trained on government procurement procedures, requirements. The Authority also submitted to PPRA a summary of procurements allocated to the target group in the format provided in the PPRA website, www.tenders.go.ke and also submitted to National Council for Persons with Disabilities (NCPWD) a summary of procurement opportunities allocated to Persons with Disabilities (PWD).

The Authority will endeavor to collaborate with various organizations to enhance environment education with various targeted groups.

v) Corporate Social Responsibility / Community Engagements

The Authority is committed to uplifting the standards of living of the communities' areas it operates in all over the country. As a supervisor and coordinator of all environmental matters in Kenya, our work and conduct are driven by the Authority's core values. The Authority's CSR program is focused on creating and maintaining a strong bond with the community and its stakeholders. To this end, the Authority's CSR initiatives provide communities with opportunities for engagement that touch on the three (Environmental, Economic and Social) broad CSR pillars.

During the financial year, the Authority undertook the following CSR activities;

- Donation of a10,000 litres water tank to Emborogo Children's home in Kisii County and capacity building on climate change, waste management and tree planting in two schools in Murayu primary in Kakamega and Mikayu primary in Bungoma.
- Planted 2,500 seedlings at Gambela and fenced 40% of Lake Kisima.
- Donated food items to a children's home in Homabay County, 17 tanks, 105 beehives and 8 improved goats to communities in Mwingi during WED & WDDD 2023

11. Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 30th June 2023, which disclose the state of affairs of the Authority.

Principal activities

The principal activities of the Authority are to exercise general supervision and co-ordination over all matters relating to the environment and to be the principal Instrument of Government in the implementation of all policies relating to the environment.

Results for the year

The results for the year ended June 30, 2023 are set out in page 1.

Directors

The members of the Board of Directors who served during the year are shown on page V-VIII.

Surplus Remission

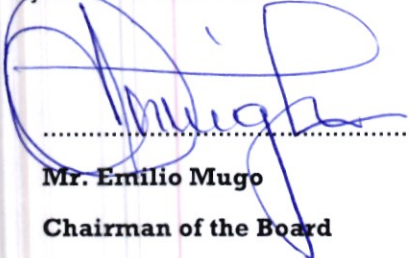
In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into the Consolidated Fund, ninety per centum of its surplus funds reported in the Audited Financial Statements after end of each Financial year.

In the current financial year 2022/2023 the Authority has reported a deficit in the interim financial statements of KES 38.81 million and there for there is no surplus due for remission. However, KRA owes the Authority an overpayment of KES 19.81 million.

Auditors

The Auditor-General is responsible for the statutory audit of the Authority in accordance with Article 229 of the constitution of Kenya and the Public Audit Act, 2015. The Auditor General continues in office in accordance with the constitution of Kenya.

By order of the Board.


.....
Mr. Emilio Mugo
Chairman of the Board

08/03/2024
.....
Date
Nairobi

12. Statement of Directors' Responsibilities

Section 81 of the Public Finance Management Act, 2012 and Section 14 of the State Corporations Act require the Directors to prepare financial statements in respect of that entity, which give a true and fair view of the state of affairs of the entity at the end of the financial year/period and the operating results of the entity for that year/period. The Directors are also required to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Directors are also responsible for safeguarding the assets of the entity.

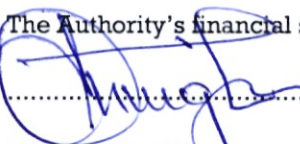
The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2023. These responsibilities include:

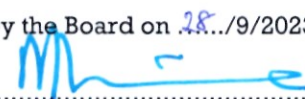
- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) Safeguarding the assets of the entity;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2023, and of the entity's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control. Nothing has come to the attention of the Directors to indicate that the entity will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Authority's financial statements were approved by the Board on 28/9/2023 and signed on its behalf by:


.....
Mr. Emilio Mugo
Chairman of the Board


.....
Mr. Mamo B. Mamo, EBS
Director General

Date 08/03/2024.....

Date 08/02/2024.....

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2023

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 the Government achieves value for money and that such funds are applied for intended purpose.
- 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 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 National Environment Management Authority set out on pages 1 to 34, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, 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 National Environment Management Authority as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Environmental Management and Co-ordination (Amendment) Act, 2015.

Basis of Opinion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the National Environment Management Authority 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

1. Fully Depreciated Motor Vehicles

The statements of financial position reflects property, plant and equipment net book value balance of Kshs.371,154,000 which includes motor vehicles balance of Kshs.22,944,000 and as disclosed in Note 19 to the financial statements. However, eighty-one (81) motor vehicles were fully depreciated and still in use during the year under review. This was contrary to International Public Sector Accounting Standard No.17 which requires that revaluations be done with sufficient regularity such that the carrying amount of assets does not differ materially from that which would be determined using fair value at the reporting date. Although Management has indicated that a firm has been engaged for asset valuation, the exercise had not been concluded at close of audit.

2. Contingent Liabilities

I draw attention to Note 32 in the financial statements, which the Authority disclosed seven (7) major contingent liabilities amounting to Kshs.967,700,000 as at 30 June, 2023. Details of the claims include two (2) cases already ruled by the court in favour of petitioners worthy Kshs.822,000,000, however, the Authority appealed against the decision. Further, in another case, one respondent had an award enhanced by the court by Kshs.12,000,000 and a second respondent in the same case lodged a similar request to the court but the Authority challenged both requests and the motions are pending court determination. In addition, in three (3) other cases, the court awarded a total of Kshs.1,700,000 and the Authority is awaiting actual taxation/assessment of the costs by the court so as to fix the quantum. Further, 7th case, an appeal arose from a case at the

Environment and Land Court where costs were awarded and parties lodged bills estimated at Kshs.120,000,000 but the Authority opposed pending court determination.

In the circumstances, Management has significant litigations and claims against it which if successful, may heavily impact negatively on the entity's financial position.

My opinion is not modified in respect of these matters.

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 Issues

In the audit report of the previous year, an issue was raised on the Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management has not resolved the issue or provided reasons for the delay in resolving the prior year audit issue as required by the Public Sector Accounting Standards Board template.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that nothing 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

1. Unregulated Facilities

Review of various categories of licenses issued by NEMA revealed the following anomalies;

1.1 Air Quality Emission License

The Authority licensed only 394 facilities countrywide for air quality emission. However, in the health sector, only thirty-two (32) Level 4 hospitals were licensed out of 2,695 countrywide while in cement manufacturing, Athi River Mining (ARM) Cement and East African Portland Company were not licensed.

Further, in the telecommunication sector, only Safaricom PLC was licensed for generators installed at communication masts.

In view of above, most facilities have been polluting the environment denying residents the right to ambient quality air for human health and safety without evidence of any

interventions from the Authority as empowered by the laws. In addition, the Authority failed to collect revenue in form of license fees to support its operations.

In the circumstances, the Authority failed to regulate air pollutants in line with Environmental Management and Co-ordination (Air Quality) Regulations, 2013.

1.2 Effluent Discharge License

Review of the license data for water quality revealed that only ten (10) water and sewerage/sanitation companies were licensed country-wide despite existence of eighty-five (85) Companies as at 30 June 2023. Further, under the category of schools/colleges/universities both public and private, only fifteen (15) institutions were licensed country-wide despite most institutions operating off the main sewer line. In addition, only twenty-four (24) hospitals out of 2,695 Level 4 Hospitals listed under NHIF had effluent discharge license despite most hospitals operating off the main sewer line.

Further, only twenty-two (22) abattoir/slaughter houses country-wide were licensed with several Counties having no single licensed slaughter house despite existence of several slaughter houses in the Counties. In review of above, most eligible facilities including water and sewerage companies, learning institutions, Level 4 hospitals and slaughter houses could be discharging effluents into the environment unregulated and also denying the Government revenue in the form of license fees.

In the circumstances, the public may have been exposed to toxic effluents due to failure by the Authority to regulate and monitor eligible facilities as per Environmental Management and Coordination, (Water Quality) Regulations, 2006.

1.3 Waste Management License

During the year under review, the Authority collected a total of Kshs.31,580,204 for licensing of waste disposal sites and waste transporters. However, review of the waste management license data revealed that several counties including; Busia, Kakamega, Nyamira, Siaya, Vihiga, TransNzoia, Kericho, Lamu, Narok, Nyeri Meru, Garissa had no single licensed waste transporter or disposal site despite most counties having low sewer coverage . This was contrary to Part 9 and 11 of Waste Management Regulations, 2006.

Further, out of 2,695 Level 4 hospitals approved by the NHIF, only nine (9) facilities had disposal license which implied that most of the hospitals operated incinerators without licenses including major hospitals such as Kenyatta National Hospital, Moi Teaching and Referral Hospital, Mbagathi, Nairobi Hospital, Karen, MP Shah, and County Referral Hospitals. The Authority may have failed to regulate most of the disposal sites, waste transporters and waste handlers thus exposing the public to health and safety risks contrary to provisions of the Environmental Management and Co-ordination (Waste Management) Regulations, 2006. Although Management has partly attributed the above underperformance to limited financial resources.

In the circumstances, failure to regulate waste management led to uncollected license fees required to finance the Authority's budget.

2. Unapproved Plastic Bag Manufacturers

Review of the plastic bag user application data revealed that eighteen (18) plastic bag manufacturers were not in the Authority's list of approved plastic bag manufacturers despite the manufacturers having been disclosed in plastic users' application forms. This may have led to proliferation of banned plastic bags in contravention of Legal Notice No.2334 of 14 March, 2017 on the ban of plastic bags.

In the circumstances, Management has not been able to effectively enforce the ban.

3. Irregular Board Meetings and Expenditure beyond the Recommended Threshold

During the year under review, the Board held three (3) sittings at a total cost of Kshs.557,214 and which were not in the 2022/2023 financial year approved Board's work plan. This was contrary to the Head of Public Service Circular Ref.OP/CAB.9/1A dated 11 March, 2020 which required all Board of Directors to submit their annual plan to State Corporations Advisory Council by 30 June of each year.

Further, the Board expenditure of Kshs.56,872,000 contravened the circular which capped expenditure at Kshs.30 million or 5% of operations and maintenance budget whichever is lower. No authority was obtained from the Cabinet Secretary for the over expenditure of Kshs.26,872,000.

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

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 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 overall governance were not effective.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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.

Responsibilities of Management and the Board of Directors

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual 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, the Management is responsible for assessing the Authority'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 the Management is aware of the intention to terminate the Authority or to cease operations.

The 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, the 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.

The Board of Directors is responsible for overseeing the Authority'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

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 governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal controls 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 controls 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 noncompliance. 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 Authority's 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 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 Authority's ability 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 Authority to cease 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 Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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

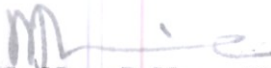
28 March, 2024

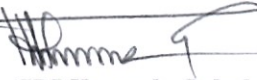
**National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2023**

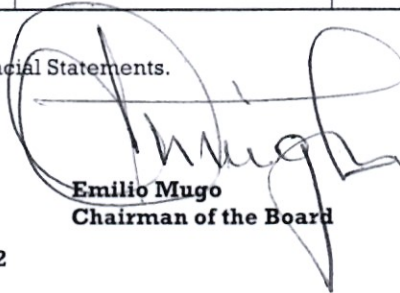
14. Statement of Financial Performance for the Year Ended 30 June 2023

	Notes	2022-2023 Kshs '000	2021-2022 Kshs '000
Revenue from non-exchange transactions			
Government grants - recurrent	4	1,049,000	1,184,000
Government grants - development	5	33,845	60,966
Donor funds	6	249,071	209,137
Revenue receipts	7	606,142	196,945
Total Revenue from Non-Exchange transactions		1,938,058	1,651,048
Revenue from exchange transactions			
Other income	8	4,503	6,441
Total Revenue from exchange transactions		4,503	6,441
Total revenue		1,942,561	1,657,489
Expenditure			
Staff costs	9	1,091,019	1,039,809
Administrative costs	10	480,447	286,951
Board expenses	11	56,872	32,428
Project expenses	12	235,966	190,941
Depreciation expense	13	74,191	74,657
Repairs and Maintenance	14	24,332	26,400
Utilities	15	18,547	21,530
Total Expenditure		1,981,374	1,672,716
Surplus/(Deficit)		(38,813)	(15,227)
Surplus to National Treasury	30		
(Deficit)		(38,813)	(15,227)

The notes set out on pages 7 to 27 form an integral part of the Financial Statements.


Mr. Mamo B. Mamo, EBS
Director General


CPA Kennedy Ochuka
Director Corporate Services
ICPAK Member Number: 3872


Emilio Mugo
Chairman of the Board

Date... 05/03/2024

Date... 05/03/2024

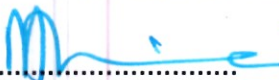
Date... 05/03/2024

**National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2023**

15. Statement of Financial Position as at 30th June 2023

	Notes	2022-2023 Kshs '000'	2021-2022 Kshs '000'
Assets			
Current Assets			
Cash and cash equivalents	16	599,597	709,577
Receivable from non-exchange transactions	17	105,637	143,766
Inventories	18	22,585	27,278
Total Current Assets		727,819	880,621
Non-Current Assets			
Property, plant and equipment	19	371,154	332,342
Intangible Assets	20	419	1,223
Total Non-Current Assets		371,573	333,565
Total Assets		1,099,392	1,214,186
Liabilities			
Current Liabilities			
Trade and other payables	21	126,490	118,584
Provisions	22	14,124	25,695
Refundable deposits and Prepayments from Customers	23	199,844	113,476
Deferred Income Liability	24	328,029	451,396
Total liabilities		668,487	709,152
Net Assets			
Capital Fund	25	175,473	175,473
Revenue Reserves	26	(67,360)	(44,707)
Revaluation Reserves	27	14,265	16,682
Donation Reserve	28	56,090	71,303
Development & Recurrent Grants	29	252,437	286,283
Total Net Assets		430,905	505,034
Liabilities			
Total Net Assets and Liabilities		1,099,392	1,214,186

The Financial Statements set out on pages 1 to 27 were signed on behalf of the Board of Directors by:


.....
Mr. Mamo B. Mamo, EBS
Director General


.....
CPA Kennedy Ochuka
Director Corporate Services
ICPAK Member Number: 3872
Date.....05/02/2024.....


.....
Emilio Mugo
Chairman of the Board
Date.....05/02/2024.....

National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2023

16. Statement of Changes in Net Assets for the Year Ended 30 June 2023

	Capital Fund	Revenue Reserve	Revaluation Reserve	Development Grants	Donation Reserve	Total
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
At 1st July 2021	175,473	(46,192)	19,099	297,248	108,802	554,431
Prior year adjustment	-	16,712	-			16,713
Revaluation adjustment	-		(2,417)			(2,417)
Net surplus for the year	-	(15,227)	-			(15,227)
Capital.Development Grants received in the year				50,000		50,000
Transfer of depreciation & Income realized to retained earnings				(60,966)	(37,500)	(98,466)
At 30th June 2022	175,473	(44,707)	16,682	286,283	71,303	505,034
At 1st July 2022	175,473	(44,707)	16,682	286,283	71,303	505,034
Prior year adjustment	-	16,160	-			16,160
Revaluation adjustment	-	-	(2,417)			(2,417)
Net surplus for the year	-	(38,813)	-			(38,813)
Capital.Development Grants received in the year					-	-
Transfer of depreciation & Income realized to retained earnings				(33,845)	(15,213)	(49,059)
At 30th June 2023	175,473	(67,360)	14,265	252,437	56,090	430,905

**National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2023**

17. Statement of Cashflows for the Year Ended 30 June 2023

	Notes	2022-2023 Kshs '000'	2021-2022 Kshs '000'
Cash flows from operating activities			
Receipts			
Transfers from other governments entities		1,049,000	1,174,000
Public contributions and donations		2,850	3,352
Donors - AEHPMP Funds & GCF		54,470	
Licenses and permits		620,000	196,945
Restoration Fund		73,290	-
Other income		340	29,148
Total Receipts		1,799,950	1,403,445
Payments			
Use of goods and services		301,366	516,937
Employee costs		1,143,772	1,039,809
Board Expenses		57,510	32,428
Repairs and maintenance		22,441	26,400
Contracted services		16,029	21,530
Grants and Subsidies		255,506	
Total Payments		1,796,624	1,637,103
Net cash flows from/(used in) operating activities	37	3,327	-233,658
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	19	-114,619	-24,847
Proceeds from sale of property, plant and Equipment		1,313	2,575
Decrease/(Increase) in non-current receivables			
Purchase of investments			
Sale of investments			
Net cash flows from/(used in) investing activities		-113,306	-22,272
Cash flows from financing activities			
Proceeds from borrowings			
Return of Donor unused funds (NRM)			
Proceeds from issue of shares			
Increase in capital funds			
Net cash flows from /(used in) financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		-109,979	-255,930
Cash and cash equivalents at 1 July		709,577	965,507
Cash and cash equivalents at 30 June		599,597	709,577

18. Statement of Comparison of Budget and Actual Amounts
for the Year Ended 30 June 2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Revenue						
Transfers from Other Governments entities	1,144,000	(95,000)	1,049,000	1,082,845	33,845	103%
Licenses and Permits	600,000	-	600,000	606,142	6,142	101%
Other Income	222,284	-	222,284	253,573	31,289	114%
Total Income	1,966,284	(95,000)	1,871,284	1,942,561		
Expenses						
Use of Goods and Services	500,300	(95,000)	405,300	488,030	(82,730)	120%
Employee costs	1,010,700	-	1,010,700	1,002,496	8,204	99%
Remuneration of Directors	30,000	-	30,000	56,872	(26,872)	190%
Depreciation and Amortization expense	80,000	-	80,000	74,191	5,809	93%
Repairs and Maintenance	81,000	-	81,000	91,046	(10,046)	112%
Contracted Services	42,000	-	42,000	32,773	9,227	78%
Grants and Subsidies	222,284	-	222,284	235,967	(13,683)	106%
Total Expenditure	1,966,284	(95,000)	1,871,284	1,981,373		
Surplus for the period	-	-	-	(38,813)		

Notes on the significant variances

Income

a) Transfers from Other Governments entities

The amount budgeted for as a recurrent grant was not fully received this is due to reduction of the last quarter grant by 95 Million.

b) Licences and permits

The reintroduction of the Environment Impact Assessment Fee has had a positive impact on the amount of revenue that was collected.

Expenditure

c) Remuneration of Directors

Board activities exceeded the amount approved. The Authority had two sets of Board members in the Financial year. One group term ended in March 2023 while the second was appointed in that Month. By the time the 1st set of Board Members exited the Budget had been exceeded.

d) Repairs and Maintenance

This was mainly due to under budgeting.

19. Notes to the Financial Statements

e) Use of Goods and Services

The amounts were initially budgeted for and committed though the recurrent grant was not fully received. This is due to reduction of the last quarter grant by 95 Million.

1. General Information

National Environment Management Authority is established by and derives its authority and accountability from the Environmental Management and Co-ordination Act (EMCA) No. 8 of 1999. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to exercise general supervision and coordination over all matters relating to the environment and to be the principal instrument of the Government of Kenya in the implementation of all policies relating to the environment.

2. Statement of Compliance and Basis of Preparation – IPSAS 1

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3n.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the entity.

The financial statements have been prepared in accordance with the PFM Act 2012, the State Corporations Act Cap 446 and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2023. IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.
- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;

Standard	Effective date and impact:
	<ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p>No impact applicable from 1st January 2023</p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows. <p>No impact, the Authority does not provide social benefits as defined by IPSAS 42</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p>No impact applicable from 1st January 2023</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p> <p>No impact applicable from 1st January 2023.</p>
<p>IPSAS 43</p>	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This</p>



Standard	Effective date and impact:
	<p>information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>No impact applicable from 1st January 2025.</p>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p>Applicable 1st January 2025</p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p>No impact applicable from 1st January 2025.</p>

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2022/2023.



4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Fees (Licences)

The Authority recognizes revenues from fees and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

The Authority collects various types of fees as it undertakes its mandate of co-ordinating and supervising matters pertaining to the Environment. The fees charged include water quality, liquid and solid waste, biodiversity, ozone depleting substances.

Most of the fees paid are one of payments and therefore revenue was recognized upon payment. The changes in the Water Quality Regulations which recognized revenues on calendar year as opposed to financial year occasioned the change in the revenue recognition criteria.

The Authority collected KES 606.14 million from licence fees compared to 196.94 million in the previous year (This is a 207.8 % increase).

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

The total revenue received from government and other development partners was KES 1.33 billion compared to 1.45 billion in the previous year.

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

No income from rendering of services was received in the financial year.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is also probable that the economic benefits or service potential associated with the transaction will flow to the entity.

No income from sale of goods was received during the financial year



Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

No interest income was received in the year.

ii) Revenue from exchange transactions – IPSAS 9

Revenues from exchange transactions are recognised at the fair value of the consideration received or receivable.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

No rental income was received in the year.

Donor funds

An amount of **KES 249.07 million** was recognised as income from various donors. The donations are recognised by the Authority when received as liabilities. The amount spent is recognised as income and any unexpended fund at the end of period adjusted to unspent donor funds.

Donations

The donations are recognised by the Authority when received, these are donations towards sponsorship of world environmental days. An amount of KES 2.85 million was recognised as donations.

Miscellaneous income

Miscellaneous income is recognised by the Authority when received, an amount of KES 0.340 million was recognised which is comprised mainly of sale of tender documents and auction deposits.

Gain on disposal

Gain on disposal of assets relates to assets disposed within the financial year, an amount of KES 1.31 million was recognised as gain on disposal.

b) Budget information – IPSAS 24

The annual budget for FY 2022-2023 was approved by the National Treasury. The entity's budget is prepared on accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Taxes – IAS 12

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.



Following amendments to the Public Finance Management Act regulations, NEMA is no longer required to pay corporate taxes but to remit 90% of its surplus funds to Kenya Revenue Authority.

d) Property, plant and equipment – IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. Assets valued at KES 137.52 million were acquired during the financial year.

e) Intangible assets – IPSAS 31

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite. The Authority has an ERP Navision system and an Audit Team Mate Software included in the list of intangible assets.

f) Inventories – IPSAS 12

Inventories of consumable nature are stated at the lower of cost and net realizable value. Cost comprises the purchase price and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs of selling the item. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity. During the year the Authority had a closing stock of consumable stock valued at KES 22.58 million.

g) Provisions – IPSAS 19

Provisions are recognized when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Authority expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

The Authority has recognized provisions amounting to KES 14.12 million.

Contingent liabilities

The Authority 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. Sources of contingent liabilities are mainly legal litigations.

Contingent assets

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

notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it becomes 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.

Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements including Capital Fund, Revenue Reserve and Revaluation Reserve.

h) Changes in accounting policies and estimates – IPSAS 3

The Authority recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

i) Employee benefits – IPSAS 39

Retirement benefit plans

The Authority provides a retirement benefit for its employees. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. The Authority contributes to a defined contribution staff retirement benefit scheme for its permanent and pensionable employees. The assets of this scheme are held in a separate trustee administered fund. The company's contributions to the defined contribution retirement benefit scheme are charged to the income statement in the year to which they relate. The scheme is funded by contributions from both the employees and employer. Benefits are paid to retiring staff in accordance with the scheme rules.

j) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

k) 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 various commercial banks at the end of the financial year. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held on call with banks, net of bank overdrafts.

l) Comparative figures

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

m) Subsequent events – IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

n) Significant judgments and estimates

In the process of applying the Authority's accounting policies, management has made estimates and assumptions that affect the Authority. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future revenue flows that are believed to be reasonable under the circumstances. The key areas of judgment in applying the Authority's accounting policies are dealt with below:

Critical judgments in applying the Authority's accounting policies

The Authority makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair values of financial instruments

The Authority uses judgment to select a variety of methods and make assumptions that are mainly based on both historical costs and market conditions existing at each balance sheet date.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Property and equipment

Critical estimates are made by the Authority in determining depreciation rates of property and equipment.

Intangible assets

Critical estimates are made by the Authority in determining amortization rates of intangible assets.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

All property, plant and equipment are initially recorded at cost and thereafter stated at historical cost less depreciation. Depreciation is calculated on straight line method to write down the cost of each asset to its residual value over its estimated useful life using the following per annum rates:

Motor vehicle	25%
Furniture & fittings	12.5%
Computer, printers and software	30%
Office equipment	12.5%
Buildings	2.5%

Gain/ (Loss) on disposal is recognized in the statement of comprehensive income.

National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2023

4	Description	2022-2023	2021-2022
	Government grant - Recurrent	KShs '000'	KShs '000'
	National Environment Management Authority (NEMA)	1,049,000	1,184,000
		-	-
	Total	1,049,000	1,184,000

These are the amounts received from the Government to assist in meeting the Organization's Recurrent expenditures. It comprises of KES 1.04 billion received as recurrent grant for the year.

Name of the Entity sending the grant	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total transfers 2022/23	Prior year 2021/2022
Ministry of Environment and Forestry (Recurrent)	1,049,000	-		1,184,000	1,184,000
Total	1,049,000	-	-	1,184,000	1,184,000

5	Description	2022-2023	2021-2022
	Government grant - Development	KShs '000'	KShs '000'
	National Environment Management Authority (NEMA)	33,845	60,966
	Government grant Other	-	-
	Total	33,845	60,966

Description	2022-2023	2021-2022
Government grant - Development	KShs '000'	KShs '000'
National Environment Management Authority (NEMA)		
Enapuiyapui and ondiri	1,291	16,593
Nairobi River Regeneration Prog	-	1,110
Plastic Ban Development Funds	-	16,914
Lab Expenses	316	1,912
Development Depreciation Funds	32,239	24,438
Government grant Other	-	-
Total	33,845	60,966

This relates to the amounts received from the Government to assist in meeting the Organization's Development expenditures. The Authority did not receive development funds in the Financial year. The revenue recognized in the year was KES 33.84 million. Development grant relating to expenses for the period is treated as income in the statement of financial performance, while for the purchase of assets it's treated as deferred income and allocated to statement of financial performance income over the useful lives of the related assets.

National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2023

6 Donor funds

Description	2022-2023	2021-2022
Government grant - Development	KShs '000'	KShs '000'
Adaptation Fund Income	184,248	123,822
DANIDA GGECP	2,929	22,359
GCF - UNOPS	9,375	19,219
KEPTAP	12,285	12,285
Other Donor funds (NRF)	600	3,626
World Bank -AEHPMP	39,635	27,827
Total	249,071	209,137

This relates to various donor funds expended during the financial year. Donor funds expended during the year are recognized as Income and the balance as at the end of the year is treated as unspent donor funds. The total donor funds expended during the year was KES 249.07 million as compared to KES 209.13 million in the previous year.

7 Revenue receipts

Description	2022-2023	2021-2022
	KShs '000'	KShs '000'
EIA Registration fees	13,544	308
Water Quality	146,225	128,238
Waste Management	31,580	25,198
Biodiversity	320	380
Noise Pollution	203	393
EIA Income	382,749	17,865
Direct bank credits	17,011	10,417
Air quality	14,510	14,146
Total	606,142	196,945

These are the amounts collected as Appropriation- In- Aid (A-I-A) for the different licensing regimes monitored and Co-ordinated by the Authority as governed by the various regulations. The total A-I-A collected in the financial Year was a total of KES 606.14 million as compared to KES 196.94 million in the previous year. The significant increase was as a result of the reintroduction of the EIA Fees has had a major boost in the total revenue collected

The movement schedule for the revenue from Water quality is as indicated below;

Description	Amount (Kshs '000')
Amount Collected in Year	159,301
Add:	
Recognition of Prepaid Revenue for the period July – December 2022 – EDL	66,574
	225,875
Less:	
Prepaid Revenue for the period July – December 2023 – EDL	79,651
Amount Recognized in the year	146,225

8 Other Incomes

Description	2022-2023	2021-2022
	KShs '000'	KShs '000'
Donations	2,850	3,352
Miscellaneous Income	340	514
Gain on Disposal	1,313	2,575
Total	4,503	6,441

These comprises of amounts received as Donations 2.85 million and Miscellaneous income KES 0.34 million mostly from receipts from sale of general items. Gain on disposal of KES 1.31 million was realized.

Expenditure

9 Staff Costs

Description	2022-2023	2021-2022
	KShs '000'	KShs '000'
Personal Emoluments	835,935	811,674
Employer's Pension/Gratuity	124,769	120,509
Employer's NSSF Contribution	3,208	1,037
Training Expenses	27,086	15,171
Insurance Expenses	88,124	86,220
Staff welfare expenses	11,898	5,198
Total	1,091,019	1,039,809

This relates to various Employee Expenses incurred. They include amounts paid as personal Emoluments of KES 835.93 million, Employer's Pension component/ Gratuity of KES 124.76 million, Employer's NSSF Contribution of KES 3.20 Million, Amount incurred for training of Staff of KES 27.08 million, Insurance expenses of KES 88.12 million and other Staff Welfare expenses of KES 11.89 million.

10 Administrative expenses

Description	2022-2023	2021-2022
	KShs '000'	KShs '000'
Local Travelling & Accommodation	150,233	78,463
Foreign Travelling & Accomodation	29,645	8,955
Rent	17,531	19,428
Regional/ County Operation Expenses	84,579	22,470
Plastic Bags Ban Expenses	10,867	16,914
Office & General Supplies & Services	39,009	32,692
Fuel and lubricants	61,913	48,529
Contracted Professional Services	14,341	14,175
Provision for Audit fees	580	580
Other Administrative Expenses	71,749	44,745
Total	480,447	286,951

This amount relates to various expenses that assist in the day to day operations of the Authority. They are instrumental in the Authority achieving its mandate and core objectives. A total of KES 480.44 million was incurred in the financial year and 286.95 million in the previous year.

11 Board expenses

Description	2022-2023	2021-2022
	KShs '000'	KShs '000'
Honoraria	1,010	706
Sitting Allowances	17,618	9,520
Induction and Training	2,468	568
Travel and Accommodation	31,852	21,144
Other Allowances and Payables	3,923	489
Total	56,872	32,428

These are expenditure for Board of Management and other benefits accruing to them. These include Sitting Allowances, accommodation, lunch allowances, travel reimbursements, honoraria, medical insurance air tickets and training. Board and Committee Expenses incurred amounted to KES 56.87 million. A total of KES 32.42 million was used in the previous year.

12 Project expenses

Description	2022-2023	2021-2022
	KShs '000'	KShs '000'
Adaptation Fund (NIE) Expenses	184,248	123,822
GGECP Expenses	7	11
GGECP Counterpart Expenses	-	25
National Research Fund Expenses	-	1,385
GCF Expenses	9,375	19,219
Nature Kenya Conference Expenses	378	2,059
AEHPMP-World Bank	40,667	27,827
Restorate & Rehabilitate Enapuiyapui & Ondiri	1,291	16,593
Total	235,966	190,941

This relates to amounts incurred as expenses for the various donor funded projects being undertaken by the Authority. The total amounts expended for the various projects in the year totaled to KES 235.96 million. The amount incurred in the year 2022 was KES 190.94 Million.

13 Depreciation expense

Description	2022-2023	2021-2022
	KShs '000'	KShs '000'
Property plant and Equipment	73,387	73,329
Intangible Assets	804	1,328
Total	74,191	74,657

This is the portion of the depreciable amount of the Various Assets owned by the Authority that was expensed during the year. Depreciation is charged on a straight-line basis. Depreciation amount charged to the Statement of Financial Performance is KES 74.19 million. Comprised of buildings KES 2.28 million, motor vehicles KES 35.01 million, furniture & fittings KES 11.96 million, office equipment KES 14.14 million, computer equipment KES 9.97 million and amortization of intangible assets KES 0.80 million. KES 74.65 million was charged in the year 2022.

14 Repairs and Maintenance

Description	2022-2023	2021-2022
	KShs '000'	KShs '000'
Building	10,224	6,968
Equipment	1,859	3,471
Computer and networks	730	164
Vehicles	11,518	15,798
Total	24,332	26,400

These are the expenses incurred for repairs and maintenance to bring back the various Authority assets to a useable form upon deterioration. A total of KES 24.33 million was utilized during the year as compared to KES 26.40 million in the previous year.

15 Utilities

Description	2022-2023	2021-2022
	KShs '000'	KShs '000'
Electricity Expenses	3,201	2,707
Water	747	763
Telephone Expenses	10,204	4,828
Internet Services	1,085	5,965
Postal & Telegrams	3,310	7,268
Total	18,547	21,530

These are amounts paid for the various Utility services including Electricity, Water, Telephone, Internet and postal services. The total amount incurred during the year was KES 18.54 million as compared to KES 21.53 million in the year 2022.

16 Cash and Bank Balances

Description	2022-2023	2021-2022
	KShs '000'	KShs '000'
a) Bank Balances		
KCB Development Account [Acc No.1102292354]	53,955	122,886
KCB Restoration Account [Acc No.1101628758]	108,990	35,701
KCB Revenue Account [Acc No.1102298158]	29,959	10,829
KCB Gateway Recurrent [Acc No.1112705546]	11,401	9,716
KCB NCNSA Project [Acc No.1135682763]	32	32
KCB Adaptation Fund [Acc No.1165595192]	28,686	412,973
KCB Adaptation Fund [Acc No.1218639164] KSH	288,674	23,916
KCB GGECP Project [Acc No.1204171068]	1,183	1,123
KCB Africa Environment Health Project [Acc No.1285063546]	62,761	76,156
COOP Revenue Account [Acc No.1100030858900]	1,640	1,642
CBA CBF (Biodiversity) [Acc No.6587230044]	3,651	3,661
BBK Pension Account [Acc No.708165964]	3,429	4,246
	594,361	702,881
b) Cash in Hand		
Nema Hq	270	6
c) Mpesa Holding		
Mpesa	3,073	3,073
d) ECITIZEN		
ECITIZEN	1,894	3,617
Total Cash and bank balance	599,597	709,577

National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2023

The total amount of Cash in Hand and at the Bank as at the end of the year was KES 599.59 million as compared to KES 709.57 million in the previous year.

17 Receivables

Description	2022-2023 KShs '000'	2021-2022 KShs '000'
Outstanding Advance - NEMA	39,747	32,051
Receivable due to Adaptation Fund	-	11,703
Grant Receivable - Development & Recurrent	-	60,000
Other debtors	65,890	40,013
Total	105,637	143,766

These are outstanding advances, imprests and other debtors. As at the end of the financial year there was a total of KES 105.63 million outstanding, this was composed of advance and imprests KES 39.74 million. The KES 65.89 million other debtors comprise of prepayments and deposits of which KES 19.81 million relates to an overpayment to the Kenya Revenue Authority, Insurance and Air tickets Prepayments KES 25,524 and KES 11,564 from billing customers.

18 Inventories

Description	2022-2023 KShs '000'	2021-2022 KShs '000'
Consumable stores	22,585	27,278
	22,585	27,278

The closing inventory as at June 2023 was KES 22.58 million as compared to KES 27.27 million in the previous year. The inventories comprise mainly of stationeries, computers, catering & sanitary consumables and tyres.

19 Property, plant and equipment

	Buildings	Motor Vehicles	Furnitures & Fittings	Computers & Printers	Office Equipment	Capital Work in Progress	Total
Description	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
	2.5%	25%	12.5%	30%	12.5%	-	
Cost							
1st July 2021	173,612	299,306	87,028	64,712	113,190	24,287	762,135
Additions	-	-	7,201	10,554	1,144	5,948	24,847
Disposal	-	(4,900)	-	-	-	-	(4,900)
Transfer	-	-	-	-	-	-	-
30th June 2022	173,612	294,406	94,229	75,266	114,333	30,234	782,081
Accumulated depreciation							
1st July 2021	19,390	210,145	49,743	50,428	49,188	-	378,893
Charge for the year	1,915	37,491	11,307	8,239	14,377	-	73,329

National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2023

Accm dep on revaluation Adj	2,417	-	-	-	-	-	2,417
Accm dep Prior year Adj	-	-	-	-	-	-	-
Accm dep on disposal	-	(4,900)	-	-	-	-	(4,900)
30th June 2022	23,722	242,736	61,050	58,666	63,565	-	449,739
Carrying amount							
30th June 2022	149,889	51,670	33,180	16,600	50,768	30,234	332,342
Cost							
1st July 2022	173,612	294,406	94,229	75,266	114,333	30,234	782,080
Additions	-	6,290	4,955	15,621	1,643	86,110	114,619
Disposal	-	(2,800)	-	-	-	-	(2,800)
Transfer/Capital ized to buildings	22,914	-	-	-	-	(22,914)	-
30th June 2023	196,525	297,896	99,184	90,888	115,976	93,431	893,900
Accumulated depreciation							
1st July 2022	23,723	242,736	61,050	58,666	63,565	-	449,739
Charge for the year	2,286	35,016	11,963	9,976	14,149	-	73,390
Accm dep on revaluation Adj	2,417	-	-	-	-	-	2,417
Accm dep Prior year Adj	-	-	-	-	-	-	-
Accm dep on disposal	-	(2,800)	-	-	-	-	(2,800)
30th June 2023	28,425	274,952	73,013	68,643	77,714	-	522,747
Carrying amount							
30th June 2023	168,100	22,944	26,171	22,245	38,262	93,431	371,154

This indicates the Property, Plant and Equipment movement Schedule from Acquisition, Accumulated Depreciation and Netbook Values for the different classes of Assets as indicated in the carrying amounts as at 30th June 2023. The Netbook value as at 30th June 2023 was KES 371.15 million.

Property plant and Equipment includes the following Assets that are fully depreciated

	Cost Valuation	Normal Annual Depreciation charge
	Kshs '000'	Kshs '000'
Plant And Machinery	-	-
Motor Vehicles, Including Motor Cycles	124,853	31,213
Computers And Related Equipment	39,447	11,846
Office Equipment, Furniture And Fittings	-	-
Total	164,300	43,059

20 Intangible Assets

Description	2022-2023	2021-2022
	Kshs '000'	Kshs '000'
Cost At beginning of the year	11,922	11,922
Additions		
At end of the year	11,922	11,922
Additions-internal development-WIP		
Disposal	-	-
At end of the year	11,922	11,922
Amortization and impairment		
At beginning of the year	10,698	9,370
Amortization	804	1,328
Accm dep on revaluation Adj	-	-
Accm dep Prior year Adj	-	-
Accm dep on disposal	-	-
At end of the year	11,502	10,698
NBV	419	1,223

This relates to various Computer Softwares capitalized example the SharePoint 2019 Server License

21 Trade and other payables from exchange transactions

Description	2022-2023	2021-2022
	Kshs '000'	Kshs '000'
Sundry Payables	94,284	54,856
Taxes Payable	428	1,238
Other Payables	9,090	10,975
Statutory deductions (PAYE, NHIF,NSSF,HELB,NITA)	14,412	14,577
NEMA Staff Welfare Society	112	471
Staff Housing Scheme	1,275	1,275
Bank Deduction Payable	73	7,175
Insurance Deduction Payable	13	951
Sacco Deduction Payable	28	8,229
Pension Fund Payable	349	14,533
Project Payable	161	-
Assurance Cover Payable	6,265	4,305
Total	126,490	118,584

**National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2023**

Indicates various outstanding Liabilities as at the end of the financial year. The total amount for trade and other payables outstanding is 126.49 million as compared to KES 118.58 million in the previous year. Sundry payables comprise of sundry creditors of KES 90,759, Advances payable of KES 1,545 & staff payable of KES 1,979. Other payables comprise of Various Accruals amounting to KES 4,835, Various payroll deductions 561 payable to KENASA, DPM and Ministry of Housing and amounts refundable to customers amounting to KES 3,694. Taxes include withheld taxes payable,

22

Provisions

Description	2022-2023	2021-2022
	KShs '000'	KShs '000'
General provisions	14,124	25,695

The general provisions include obligations which have been provided for and not yet paid as at the end of the year. In the current year the amount is KES 8.49 million which relates to provision of Non-practicing allowance and Prosecutorial allowance as determined by the court for the Authority's lawyers and KES 5,634 being gratuity payable to staff on contract. The previous year's balance was KES 25.69 million.

23

Refundable deposits from customers

Description	2022-2023	2021-2022
	KShs '000'	KShs '000'
Deposit Payable	120,193	46,902
Prepaid Revenue	79,651	66,574
Total	199,844	113,477

Includes KES 120.19 million being a restoration fund set and prepaid water quality licences amounting to KES 79.65 million.

24

Deferred Income Liability

Description	2022-2023	2021-2022
	KShs '000'	KShs '000'
Unspent donor funds	328,029	451,396
	328,029	451,396

Breakdown

Description	2022-2023
	KShs '000'
GGEF & NRF	3,148
Adaptation Fund	226,101
GCF Fund Liability	33,074
EHPMP Unspent funds	65,706
	<u>328,029</u>

Deferred Income Liability Movement

Description	2022-2023	2021-2022
	KShs '000'	KShs '000'
At start of the year	451,396	577,650
Additions	112,598	64,687
Expensed	(235,966)	(190,941)
At end of the year	328,029	451,396

**National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2023**

These are un-utilized donor grants relating to the Adaptation Fund and World bank Projects. For the year 2023 the amount is KES 328.02 Million compared to KES 451.39 Million in the year 2022.

25 Capital Fund

Description	2022-2023	2021-2022
	KShs '000'	KShs '000'
At start of the year	175,473	175,473
At end of the year	175,473	175,473

26 Revenue Reserve

Description	2022-2023	2021-2022
	KShs '000'	KShs '000'
At start of the year	(44,707)	(46,192)
Prior year Adjustment	16,160	16,712
Surplus/(Deficit)	(38,813)	(15,227)
At end of the year	(67,360)	(44,707)

27 Revaluation Reserve

Description	2022-2023	2021-2022
	KShs '000'	KShs '000'
At start of the year	16,682	19,099
Revaluation Adjustment	(2,417)	(2,417)
At end of the year	14,265	16,682

The revaluation reserve relates to the revaluation of Buildings. As indicated in the Statement of Changes in Equity, this is stated after transfer of depreciation charge.

28 Donation Reserve

Description	2022-2023	2021-2022
	KShs '000'	KShs '000'
At start of year	71,303	108,802
Depreciation Adjustment	(15,213)	(37,500)
At end of the year	56,090	71,303

The donation reserve relates to the various Assets donated by the KEPTAP and GGEP Project. As indicated in the Statement of Changes in Equity, this is stated after transfer of depreciation charge for the year.

29 Development Grants

Description	2022-2023	2021-2022
	KShs '000'	KShs '000'
Deferred Development Income	252,437	286,283
	252,437	286,283

The Deferred development grant is income not yet utilized. The unutilized income is KES 252.43 Million in 2023 as compared to KES 286.28 Million in the year ended June 2022.

30. Surplus Funds Remission

In accordance with Section 219 (2) of the Public Finance Management Act regulations, regulatory entities shall remit into the Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Authority paid KES 32.38 million to Kenya Revenue Authority being the 90% of the surplus reported in the

**National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2023**

interim financial statements for financial year 2019/2020. However, after the adjustments in the revenue recognition the Authority had a deficit of 1.946 Million.

In the financial year 2020/2021 although the Authority had reported a surplus in the interim financial statements of KES 13.920 million. There was no surplus payable since there was an overpayment of KES 32.38 million in the financial year 2019/2020. In the year 2020-2021, the Authority had a surplus of 13.967 million thus amount payable was KES 12.570. Following this, amount refundable by KRA is KES 19.814 Million. In the Current financial year the Authority reported a deficit of KES 38.81 million.

	2022-2023	2021-2022
	Kshs '000'	Kshs '000'
Adjusted /Surplus/(deficit) for the period	(38,813)	(15,227)
Less: Allowable deductions by NT	-	-
90% computation (Included in Statement of Financial performance)		-

Surplus Remission Payable

	2022-2023	2021-2022
	Kshs '000'	Kshs '000'
Payable/(refundable) at the beginning of the year	(19,814)	(19,814)
Payable during the year	-	-
Payable/refundable at end of the year	(19,814)	(19,814)

31. Prior year adjustments – IPSAS 3

The prior year adjustments in the revenue reserves amounting to a total of KES 16.16 million relates to mainly adjustment of write offs of imprest and various provisions and ledger adjustments.

32. Provisions, Contingent Liabilities and Contingent Assets-IPSAS 19

The Authority 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.

Contingent Liabilities

The following are major contingent liabilities as at 30th June 2023.

a) Erastus Kibiru and Others vs NEMA in ELRC 547 of 2018

In this case the Petitioners filed a Petition against the Authority on grounds that the Authority failed to pay the claimants a non-practice and prosecutorial allowances and the cost of the suit. The Authority has appealed the case and in the event the ruling will be in favour of the petitioners an estimated cost of KES 22,000,000/- in lieu of compensation and costs of the suit, as at 30 June 2023 is expected. This amount has been provided for in full. An additional deposit of KES 3,039,245 was asked by the court within the last financial year which was provided for.

b) Kelvin Musyoka & 9 others vs NEMA & 7 others Mombasa ELC Petition No. 1 of 2016

In the course of the conduct of its regulatory mandate claims for specified and unspecified damages have been lodged against the Authority against violation of the right to a clean and healthy environment in the Uhuru Owino case before the Environment and Land Court (ELC). The case was determined and ruling made against the Authority however an appeal against the decision was lodged. The compensation was set at KES 2.0 billion of which the Authority is liable for 40% of the award, which is KES 800 million. The cost of restoration was set at KES 700 million for all the defendants in the suit but also with an alternative

of the defendants doing the restoration themselves, the Authority is considering taking the latter option. The Authority has appealed the case. We have an active court protection via stay of execution orders as we await Judgment on our Appeal.

c) Benson Ambuti Atega & 2 Others Vs NEMA & 5 Others-Case-Kisumu ELC No.8 of 2018

The matter was finalized and costs awarded at Ksh 4.3 million for each of the 3 respondents adding up to about 13 million Kshs. Respondent 1 has since had his 4.3m award enhanced by Court to Ksh 16m and respondent 2 has lodged a similar request to the Court. Both requests have been challenged by us and the motions are pending court determination. 13 million out of 25 million is undisputed and paid out. Balance 12 million is the subject of court proceedings.

d) Taib Investments Limited Vs Nema & Others-Case Mombasa ELC No. 37 of 2018

In this case the court awarded KES 0.5 million on 14.10.2020. The Authority is waiting for actual taxation/assessment of the costs by the court so as to fix the quantum.

e) David Mereka & Another vs NEMA & Others-Case-Muranga No 22 of 2019

In this case the court awarded KES 0.5 million on 27.01.2020. The Authority is waiting for actual taxation/assessment of the costs by the court so as to fix the quantum.

f) Jane Wagathuitu & 2 Others vs NEMA & Others -Case-Nakuru ELC No. 405 of 2017

In this case the court awarded KES 0.7 million on 19.06.2019. The Authority is waiting for actual taxation/assessment of the costs by the court so as to fix the quantum.

g) Kibos Distillers and Others vs NEMA and Others

This appeal arose from the case at the Environment and Land Court and cost were also awarded at this level. Parties have recently lodged their bills of costs- 3 of them amounting in the aggregate at an estimated Kes 120 million. There is no Award yet since the bills are pending taxation by Court (the Award decision). We have opposed the bills vehemently and only conceded a maximum of Kes 18,000/- in the aggregate. The Kes 120,000,000/- as demanded BUT opposed and pending Court determination. For contingency purposes, we estimate the 3 bills not to exceed Kes 1 million in the aggregate.

33. Related Party Disclosures-IPSAS 20

Nature of related party relationships

Entities and other parties related to the National Environment Management Authority (NEMA) include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the National Environment Management Authority (NEMA), holding 100% of the Entity's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Entity, both domestic and external.

Other related parties include:

- i) The Parent Ministry.
- ii) Key management.
- iii) Board of directors.

The Authority has seven key management personnel. The managers participate in making key management decisions of the Authority and reports to Board of Management for guidance and the parent ministry for policy direction. The seven key managers' remuneration for the financial year ended June 30, 2023 was KES 43.39 million. The Authority received KES 1.04 billion from the parent ministry as recurrent grant.

34. Financial Instruments Disclosure-IPSAS 30

Financial assets and liabilities are recognized in the Authority's statement of financial position when the Authority has become a party to the contractual provisions of the instrument. Specific accounting policies adopted by the Authority and are key for financial instruments outstanding at the end of the reporting period are summarized below:



Receivables

Receivables are carried at anticipated realizable value. They comprise mostly of staff debtors and outstanding donor funds committed but not received at the end of the financial year. The staff debtors comprise of imprests and field advances issued and not surrendered. Since the staffs are still in employment, it is probable that the surrenders will be effected in the subsequent year. The donor funds will be released in the next financial since the project is still active.

Payables

Payables are not interest bearing and are stated at their nominal value. They comprise mostly of supplier's goods and services received but not paid and unspent donor funds. In both cases the Authority's contractual relationship does not entail interest risk exposure.

35. Revaluation of Assets-IPSAS 17

There was no revaluation of assets during the period. The authority adopts cost model has its accounting policy, after recognition as an asset, an item of property, plant and equipment is carried at cost, less any accumulated depreciation and any accumulated impairment losses as per requirements of IPSAS 17.

36. Financial Risk Management Policies

The Authority's financial risk management objectives and policies are detailed below:

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset and financial liability are disclosed in note 2 to the financial statements.

(b) Financial risk management objectives

The Authority's activities expose it to a variety of financial risks including credit and liquidity risks. The Authority's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

(c) Credit risk

The Authority's credit risk is primarily attributable to its limited prepayments notably rent and medical insurance premiums. In both cases the risk is minimal since the prepayments do not in any case exceed one financial year and the Authority does not have her own premises. The amount that best represents the Authority's maximum exposure to credit as at 30th June is made up as follows;

	KES '000'
At 30 June 2023	
Cash at bank	599,597
Receivables	105,637
	705,234
At 30 June 2022	
Cash at bank	709,577
Receivables	143,766
	853,343

(d) Liquidity risk management

The Authority's liquidity risk results from lower funding by the Government and inability to collect adequate appropriation in aid through licensing fees to supplement the reduced government funding. Liquidity risk is the risk that the Authority will not

**National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2023**

be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents.

Management perform cash flow forecasting and monitor rolling forecasts of the Authority's liquidity requirements to ensure it has sufficient cash to meet its operational needs

The Authority's approach when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Authority's reputation.

(e) Market risk management

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. The Authority takes on exposure to market risk, which is the risk of changes in market prices and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Authority includes projected inflation rate in her budget in order to cushion against price changes. With regards to interest rate risks, the Authority prudently manages her cash flows so as to avoid overdraft facilities.

Foreign Currency Risk

The Authority's transactions are denominated in Kenya Shillings and in cases of foreign currency payments, sufficient negotiations are carried out to obtain better foreign currency exchange rates.

37 Cash Generated from Operations

	Notes	2023 Kshs '000	2022 Kshs '000
Surplus for the year		(38,813)	(15,227)
Adjustments for:			
Tax expense		-	-
(Gain)/Loss on disposal of property, plant & equipment	8	(1,313)	(2,575)
Interest received		-	-
Depreciation of property, plant & equipment	13	74,191	74,346
Accumulated depreciation adjusted			
Prior year adjustment	31	16,160	16,712
Excess surplus paid			
Operating (loss) before working capital changes		50,225	73,256
Changes in operating assets and liabilities			
(Increase)/decrease in Receivable from non-exchange transactions		38,130	(30,176)
(Increase)/ decrease in inventories		4,693	391
Increase/(decrease) in trade payables and other payables		7,906	(109,275)
Increase /(decrease) in provisions		(11,571)	1,955
Increase /(decrease) in Refundable deposits and Prepayments from Customers		86,368	4,910
Increase /(decrease) in Development Grants		(33,845)	(10,965)
Increase/(decrease) in Deferred Income Liability		(123,367)	(126,254)
Increase/(decrease) in Donation Reserve		(15,213)	(37,500)
Cash used in operations		3,327	(233,658)
Surplus paid			
Net cash used in operating activities		3,327	(233,658)

38. Capital Commitments

Capital commitments	2022-2023	2021-2022
	Kshs '000'	Kshs '000'
Authorised for:	-	-
Authorised and contracted for	17,690	84,027
Total	17,690	84,027

39. Revaluation Adjustment

	2021-2022	2021-2022
	Kshs '000'	Kshs '000'
Opening Balance	16,682	19,099
Revaluation Adjustment	(2,417)	(2,417)
Closing Balance	14,265	16,682

40 Contracted Services

Description	2022-2023	2021-2022
	Kshs	Kshs
Others- Security/cleaning and Garbage Services	16,029	21,530
Total Contracted Services	32,773	21,530

41. Events after the Reporting Period

There were no material adjusting and non- adjusting events after the reporting period.

42. Ultimate and Holding Entity

The Entity is a State Corporation under the Ministry of Environment Climate Change and Forestry. Its ultimate parent is the Government of Kenya.

43. Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

20. Progress on Follow up of Auditor Recommendations

Appendix 1: Implementation Status of Auditor-General's Recommendations

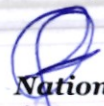
The following is the summary of issues raised in the final external audit report 2021/2022, and management comments that were provided to the auditor. Indicated is the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe
FY 2021/2022	<p>1. Budgetary Control and Performance (Revenue)</p> <p>The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis totalling to Kshs. 1,857,900,000 and Kshs. 1,657,489,000 respectively resulting to under collection of Kshs. 200,411,000 or 10.7% of the Budget. The under-performance in revenue collection affected planned activities of the Authority and may have impacted negatively on service delivery to the public</p>	<p>Management Response</p> <p>Management would like to clarify that the Budgeted receipts contained 3 components which include transfers from other government entities (Recurrent and Development funds) which was the biggest component, Licences and permits and other Incomes (Donor funds). The Authority received all its allocation as indicated as transfers from other government entities which was very critical in assisting the organization meet its mandate and had a positive impact on the number of awards the Authority received in the year including the overall best regulator of the year. The major shortfall was on the donor funding received for the projects they were sponsoring. Since donor funding has specific objectives then it is not entirely true that the shortfall had a direct impact on the service delivery of the Authority to the public.</p>	Funds received as per budget.	30 th June 2024

National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2023

	<p>2. Receivables from Non- Exchange Transactions</p> <p>The statement of financial position reflects a balance of Kshs. 143,766,000 in respect of receivables from non-exchange transactions. The balance also includes Kshs.40, 013,000 other debtors which further includes Kshs.306, 000 said to have been erroneously remitted by NEMA to the State Officers House Mortgage Scheme Fund (State Department for Housing and Urban Development). The balance dates back to the year 2019 and the management has not recovered the funds. In the circumstances, recovery of the receivables balance of Kshs.306, 000 is in doubt.</p>	<p>Management Response</p> <p>The Management notes the observation and would like to confirm that the figure indicated does not exist in our financial statements as shown in the schedule below</p> <table border="1" data-bbox="864 699 1608 1262"> <thead> <tr> <th data-bbox="864 699 1440 743">Description</th> <th data-bbox="1440 699 1608 743">2021-2022</th> </tr> <tr> <td data-bbox="864 743 1440 788"></td> <th data-bbox="1440 743 1608 788">KShs '000'</th> </tr> </thead> <tbody> <tr> <td data-bbox="864 788 1440 833">Imprest Recovery</td> <td data-bbox="1440 788 1608 833">138</td> </tr> <tr> <td data-bbox="864 833 1440 877">Vesba & Skytop Restaurant</td> <td data-bbox="1440 833 1608 877">310</td> </tr> <tr> <td data-bbox="864 877 1440 922">Deposit Account</td> <td data-bbox="1440 877 1608 922">1,910</td> </tr> <tr> <td data-bbox="864 922 1440 967">Prepayments</td> <td data-bbox="1440 922 1608 967">15,122</td> </tr> <tr> <td data-bbox="864 967 1440 1011">Surplus funds receivable from KRA</td> <td data-bbox="1440 967 1608 1011">19,813</td> </tr> <tr> <td data-bbox="864 1011 1440 1056">KIMISITU Sacco</td> <td data-bbox="1440 1011 1608 1056">14</td> </tr> <tr> <td data-bbox="864 1056 1440 1101">KUSSCO</td> <td data-bbox="1440 1056 1608 1101">92</td> </tr> <tr> <td data-bbox="864 1101 1440 1145">APA Life Assurance Limited</td> <td data-bbox="1440 1101 1608 1145">12</td> </tr> <tr> <td data-bbox="864 1145 1440 1190">VAT</td> <td data-bbox="1440 1145 1608 1190">504</td> </tr> <tr> <td data-bbox="864 1190 1440 1235">With Holding VAT Payable</td> <td data-bbox="1440 1190 1608 1235">2,096</td> </tr> <tr> <td data-bbox="864 1235 1440 1262"></td> <td data-bbox="1440 1235 1608 1262">40,013</td> </tr> </tbody> </table>	Description	2021-2022		KShs '000'	Imprest Recovery	138	Vesba & Skytop Restaurant	310	Deposit Account	1,910	Prepayments	15,122	Surplus funds receivable from KRA	19,813	KIMISITU Sacco	14	KUSSCO	92	APA Life Assurance Limited	12	VAT	504	With Holding VAT Payable	2,096		40,013	<p>Awaiting confirmation from OAG</p>	<p>30th June 2024</p>
Description	2021-2022																													
	KShs '000'																													
Imprest Recovery	138																													
Vesba & Skytop Restaurant	310																													
Deposit Account	1,910																													
Prepayments	15,122																													
Surplus funds receivable from KRA	19,813																													
KIMISITU Sacco	14																													
KUSSCO	92																													
APA Life Assurance Limited	12																													
VAT	504																													
With Holding VAT Payable	2,096																													
	40,013																													
	<p>1.0 Failure to Adopt E-Procurement</p>	<p>Management Response</p>		<p>30th June 2024</p>																										

<p>During the year under review, the Management undertook various procurements including construction, purchase of motor vehicles, consultancies and supply of goods and services among others. The procurements were manually processed despite NEMA having Navision ERP Web-based system which has a procurement module. The failure to adopt the E-Procurement was contrary to Executive order No. 6 of 06 March, 2015 and The National Circular No 6/2015, which directed all public entities to migrate to E-Procurement by June, 2015.</p>	<p>The Management notes your observation and would like to clarify that the Authority Utilizes its own Enterprise Resource Planning (ERP) Known as Microsoft Dynamics "Navision". The System has procurement module E-Procurement that has enabled the Authority achieve partial E-procurement seen in stages like procurement requisition initiation and approvals, Purchase orders generation and approvals, Contracts generation, Vendors database management, Inventory control and management among others. It is important to note that Requisitions are fully applied in the system and charged to the correct Account. It is from the requisitions that purchase orders are raised pegged on the requisitions raised. The Authority is in the process of improving the module to fully support the procurement cycle through E-Procurement.</p>	<p>In this FY 2023/2024, ICT has procured a consultant for support of ERP. The support contract will include fully support the procurement cycle through E-Procurement.</p>	
<p>2.1 Irregular Board Meetings and Expenditure Beyond the Recommended Threshold</p> <p>During the year under review, the Board held seven (7) sittings at a total cost of Kshs. 4,319,756 and which were not in the 2021/2022 financial year approved Boards work plan. This is contrary to the Head of Public Service Circular OP/CAB.9/1A dated 11 March, 2020 which requires all Board of Directors to submit their annual plan to State Corporations Advisory Council by 30th June of each year. In addition, the Board held nine (9) special meetings at a total cost of Kshs. 2,583,242 without evidence of approval by the Cabinet Secretary as required by the circular. Further, the Board expenditure of Kshs. 32,428,000 exceeded 5% of operations and maintenance budget of Kshs. 85,000,000 by an amount of Kshs. 2,428,000 contrary to the circular which capped board expenditure at a lower of Kshs. 30 million or 5% of operations and maintenance budget.</p>	<p>Management Response</p> <p>Management notes the observation and will inform the Board of the findings by the Auditor. It is expected that going forward all activities undertaken by the Board will be guided by the approved Annual Board Work plan as approved by the State Corporations Advisory Council. However, the Management would like to confirm that these were key Meetings for the Authority which required a Board level representation. Further, the Management would like to confirm that the special sittings were critical Meetings for the Board which required them to hold due to the Agendas at hand. It is expected that going forward all Board expenses will be within the approved limit.</p>	<p>The new Board has been informed of the importance of adherence to the board workplan and therefore meet the Board Budget set.</p>	<p>1st July 2023</p>



	<p>2.2 The Board Engaging in Management Functions</p> <p>Included in Board expenditure totalling Kshs.32, 428,000 is an amount of Kshs.3, 551,742 which relates to sitting allowance, mileage and Daily Subsistence Allowance paid to Board members for field/inspection visits contrary to Chapter 1.22 of Mwongozo Code of Governance for State Corporations. In the circumstances, the Board was in breach of the directives and may have usurped Management functions.</p>	<p>Management Response</p> <p>Management notes the observation and has communicated the same to the Board. Hence going forward, the Board will be advised to limit itself to oversight and governance roles and let Management implement the day to day activities of the Authority and hence adhere to the Mwongozo code guidelines.</p>	<p>Under the board budget an allocation has been set for training. These will be used to train new board members on their roles and what management's roles are and importance of adhering to the Mwongozo.</p>	<p>1st July 2023</p>
	<p>3.0 Failure to Establish Restoration Fund</p> <p>In the year under review, the Authority had not established a National Environmental Restoration Fund as per Section 25 of the Environment Management and Coordination Act, 1999. The Fund is to act as a supplementary insurance for mitigation of environmental degradation where the perpetrator is not identifiable. In the circumstances, the Authority may not be able to restore the environment in case of environmental degradation.</p>	<p>Management Response</p> <p>The Authority has not established a National Environment Restoration Fund as required by Section 25 of the Environmental Management and Coordination Act, 1999. The Management notes the observation and confirms that although the Deposit Bond Regulations are still in draft, the Restoration Fund will be operationalized once the Regulation is passed and gazette.</p>	<p>The Authority has since established Restoration Account which will act as a supplementary insurance for mitigation of Environmental degradation</p>	<p>1st July 2023</p>
	<p>1. Lack of Effective Controls on License Papers</p> <p>During the year under review, the Authority contracted firms to supply license papers. However, the audit review of the suppliers records and licensing process revealed the following issues:</p> <p>i) Suppliers engaged during the period were general stationery suppliers instead of approved security documents printing firms.</p>	<p>Management Response</p> <p>The Management would like to clarify that the Authority had invited interested bidders to apply registration to offer printing services for security documents for two years 2020-2022. The firms that applied for registration did not meet the requirements that had been asked. As a result, due to need basis of printing of the licenses was done through general printing providers who were registered by the Authority. The Authority shall request interested bidders to submit applications for printing of security documents in the current financial year since the period mentioned above lapsed in the current year under Audit. In</p>	<p>The contract period mentioned lapsed in the year under audit the recommendation has been taken into account and budget availed in the FY 2023/24</p>	<p>1st July 2023</p>

**National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2023**

<p>ii) The orders were issued to various suppliers instead of contracting one reputable firm at a time to avoid production of counterfeit licenses.</p> <p>iii) The printing method adopted did not use secure printing stencils or printing plates to control the risk of duplication and counterfeits.</p> <p>iv) The license papers had no water mark security features for authentication and there was no evidence of safety controls during transportation and custody of pre-sealed license papers dispatched to county offices.</p> <p>In the circumstances, the Authority could lose revenue and counterfeit licenses could be printed.</p>	<p>regard to the issue of not there being an evidence of proper record keeping of license paper movement right from ordering, storing and issuance the management would like to clarify that; There is a proper storing and issuance system of Licenses. A system is in place whereby they are received, inspected, taken on charge and stored securely in the NEMA main stores.</p> <p>· Since the field offices, to which these licenses are mainly issued don't operate on Navision (ERP), the management of this inventory is done parallel both manually and also on automation.</p> <p>· The office of field operation requests from the Stores through online Stores Requisitions and also manually through counterfoil receipt book register (form F O13). For ease of tracking, the counterfoil receipt book register has the serial No. to whom each license was issued to.</p> <p>· Upon receipt from stores, the office of field operations adds more the security features(sealing) before issuing to respective field offices via form S12 (Issue and receipt Voucher). It is also important to note that a copy of Form S12 accompanies the respective licenses issued to the receiving field offices.</p> <p>The Management would like to confirm that it is in the process of automating the entire licensing process to enable applicants to print for themselves licenses. The checks and balances introduced by the Management helps in removing the risk of counterfeit licenses being printed and therefore loss of revenue.</p>		
--	--	--	--

<p>2. Non-Reconciliation of Licensing System and Accounting System</p>	<p>Management Response</p>	<p>Budget has been set aside In the FY</p>	<p>30th June 2024</p>
---	-----------------------------------	--	-----------------------

National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2023

<p>Review of the Authority's Information Systems indicates that application and processing of various licenses were done in the licensing system whereas receipting of license fees was processed in an Accounting system. However, the two systems were not interfaced. Further, there was no evidence of reconciliation of reports from Licensing system and the Accounting system especially on the number and category of licenses issued and fees paid. In the circumstances, the Management did not validate the reported revenue by reconciling the two systems</p>	<p>The Management notes your observation but would like to clarify that the Integration between the licensing system and the Accounting system was rolled out in March 2020. It is therefore critical to note that the integration is still a work in progress. Currently we don't have a report matching the invoices billed, licenses issued against revenue collected. This will be initiated in the next phase as recommended. However, there is a reconciliation for all invoices raised through the licensing portal and payment done in E- citizen. This is normally reconciled by 10th of the following month.</p>	<p>2023/24 for a system that will integrate licencing module and finance module</p>	
--	--	---	--

21. Appendix II: Projects implemented by The National Environment Management Authority

Project title	Project Number	Donor	Period/ duration	Donor commitment KES	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1 Integrated Programme to Build Resilience to Climate Change & Adaptive Capacity of Vulnerable Communities in Kenya under United Nations Framework Climate Change Convention (UNFCCC)	KEN/NIE/Multi/2013/1	ADAPTATION FUND BOARD	The project official start date is 01 05 2016- The project end date had been extended to June 2023	One billion	Yes	Yes
2 Africa Environmental Health & Pollution Management Project	P167788	World Bank	The project official start date is 2020 The project end date is 2025	820 Million	Yes	Yes
3.GCF Readiness and Preparatory Support	KEN-RS-003	Green Climate Fund	The project official start date is April 2020. The project end date is April 2023	43 Million	Yes	Yes
4.GCF Project Preparatory Facility	KEN-PPF-010	Green Climate Fund	The project official start date is April 2020. The project end date is April 2023	37 Million	Yes	Yes

National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2023

Status of Projects completion

	Project	Total project Cost	Total expended to date KShs	Completion % to date	Budget KShs	Actual KShs	Sources of funds
1	Integrated Programme to Build Resilience to Climate Change & Adaptive Capacity of Vulnerable Communities in Kenya under United Nations Framework Climate Change Convention (UNFCCC)	One billion	872,558,740	87%	384,474,275	166,482,828	GRANT (ADAPTATION FUND)
2	Africa Environmental Health & Pollution Management Project	820 Million	70,406,729	9%	178,000,000	40,667,235	World Bank
3	GCF Readiness and Preparatory Support	43 Million	33,723,414.00	77%	19,000,000	8,836,433	Green Climate Fund
4	GCF Project Preparatory Facility	37 Million	9,798,453	26%	26,400,000	1,540,000	Green Climate Fund

National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2023

22. Appendix III - Inter-Entity Confirmation Letter

ENTITY NAME:		NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY		
Break down of Transfers from the Ministry of Environment and Forestry				
FY 22/23				
a	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>FY to which the amounts relate</u>
		22-Aug-22	286,000,000.00	2022-2023
		16-Nov-22	286,000,000.00	2022-2023
		09-Feb-23	286,000,000.00	2022-2023
		12-Jun-23	191,000,000.00	2022-2023
		Total	1,049,000,000.00	
b	Recurrent Grants Others:			
		Total	-	
c	Development Grants			
		Total	-	
d	Donor Receipts		AEHPMP Donor Funds	
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>FY to which the amounts relate</u>
		26/06/2023	24,921,433.25	2022-2023
		Total	24,921,433.25	
		Total	1,073,921,433.25	

Director Corporate Services
National Environment & Management Authority

Sign

Head of Accounting Unit
Ministry of Environment & Forestry

Sign

23. Appendix IV: Recording of Transfers from Other Government Entities

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
	as per bank statement			Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others Unspent donor funds	
Ministry of Environment and Forestry	22/08/2022	Recurrent	286,000	286,000					286,000
Ministry of Environment and Forestry	16/11/2022	Recurrent	286,000	286,000					286,000
Ministry of Environment and Forestry	09/02/2023	Recurrent	286,000	286,000					286,000
Ministry of Environment and Forestry	12/06/2023	Recurrent	191,000	191,000					191,000
Ministry of Environment and Forestry	06/07/2022	Others- Donor	10,593					10,593	10,593
Ministry of Environment and Forestry	26/06/2023	Others- Donor	24,921					24,921	24,921
Total			1,049,000	1,049,000	0	0	0	35,514	1,084,514

