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REPORT

OF

THE AUDITOR-GENERAL

ON

**NATIONAL ENVIRONMENT TRUST
FUND (NETFUND)**

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



NATIONAL ENVIRONMENT TRUST FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

JUNE 30, 2021

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

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NATIONAL ENVIRONMENT TRUST FUND
Annual Reports and Financial Statements
For the year ended June 30, 2021

KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The National Environment Trust Fund (NETFUND) was established by the Environmental Management and Coordination Act (EMCA) 1999, Section 24 “to facilitate research intended to further the requirements of environmental management; capacity building; environmental awards; environmental publications; scholarships; and grants”. A subsequent amendment to EMCA section in June 2015 enabled the organisation to become a State Corporation.

(b) Principal Activities

The Fund’s principal activity is to mobilize funds from any legitimate source that will facilitate research intended to further the requirements of environmental management, capacity building, environmental awards, environmental publications, scholarships and grants

(c) Key Management

The entity’s day-to-day management is under the following key organs:

- Board of Trustees;
- Chief Executive Officer; and
- Management Team

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility were:

| No. | Designation | Name |
|-----|--|-----------------|
| 1. | CEO | Samson Toniok |
| 2. | Director, Resource Mobilisation and Business Development | Dr. James Njagu |
| 3. | Projects Manager | Andrew Machora |
| 4. | Research Manager | Michael Okok |

(e) Entity Headquarters

P.O. Box 19324-00202
National Water Plaza, First Floor,
Dunga Road, Industrial Area
Nairobi, KENYA

(f) Entity Contacts

P.O. Box 19324-00200
Telephone: +254 020-2369563
E-mail: info@netfund.go.ke
Website: www.netfund.go.ke

(g) Entity Bankers

Kenya Commercial Bank Limited,
Upper Hill Branch
P.O. Box 69695-00400
City Square 00200
Nairobi, Kenya

(h) Independent Auditors

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


(i) Principal Legal Adviser

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

THE MANAGEMENT TEAM

| Name | Responsibility |
|-----------------------|--|
| 1. Samson Toniok | Chief Executive Officer |
| 2. Dr. James Njagu | Director, Resource Mobilisation and Business Development |
| 3. Andrew Machora | Projects Manager |
| 4. Michael Okok | Research Manager |
| 5. Chrispine Omondi | Resource Mobilization Manager |
| 6. Evans Kiprotich | Finance Manager |
| 7. Joshua Anampiu | Planning and Strategy Manager |
| 8. Maryanne Thande | Business Development Manager |
| 9. Announciater Mouti | Human Resource and Administration Manager |
| 10. Evelyn Nthini | Supply Chain Manager |
| 11. Sweeny Ogeto | Linkages and Partnership Manager |
| 12. Beatrice Wamuyu | Internal Auditor |
| 13. Hassan Sheikh | Communications Manager |

THE BOARD OF TRUSTEES

| Board of Trustee | Profile |
|--|--|
|  <p>Hon. Moses Akaranga EGH- Board Chair</p> | <p>Hon. Rev. Akaranga was born on 18th October 1953. He has a wealth of experience in public administration having worked in the public sector for more than twenty years. During his tenure as the Minister of State for Public Service in the Office of the President, he was awarded the most prestigious public service recognition; the- United Nations Public Service Award. Additionally, he is recognized for his role in initiating Performance Contracting in the Public Service, introducing the Rapid Results Initiative program, and overseeing the salary review and increment of pension to all retired civil servants.</p> <p>A renowned politician, Hon. Rev. Akaranga was the first Governor of Vihiga County. In 2002, he was elected the Member of Parliament for Sabatia Constituency. During this time, he served as a Commissioner with the Parliamentary Service Commission and was the Chairperson of the Parliamentary Staff Welfare Committee.</p> <p>Rev. Akaranga, holds a master’s degree in Business Administration (MBA) from the United States International University (USIU) and a Bachelor of Arts in International Business Administration. He is currently pursuing his Doctoral studies in Strategic Planning.</p> <p>He believes in accountability, respect for all, and integrity.</p> |



**Ms. Judy Chebet Ngeny-
Member-NETFUND Board of
Trustees**

Ms. Ngeny was born on 12th January 1982. She has practised law for over thirteen years with expertise in Commercial Transaction Advisory and Regulatory Advisory work. Specifically, she has expertise in Intellectual Property and Technology law, Pharmaceuticals and Agro-chemicals regulation and Corporate and Commercial law. Ms. Judy Ngeny is a well-known business savvy lawyer and advisor. She holds a Master of Laws (LL.M) Degree from the University of Manchester, UK, and a Bachelor of Laws (LL. B) degree from the University of Nairobi. She is also a finalist Certified Public Accountant (CPA) and Company Secretary (CPS). Judy is also a Public Notary and Commissioner for Oaths.

She is currently a Partner at Chebet & Munyaka Advocates LLP and serves as the Chairperson of the Board Finance, Human Resource and Procurement committee. Judy is also a member of the Board Governance, risk and compliance committee.



**Hon. Protus Akujah- Member-
NETFUND Board of Trustees**

Hon. Akujah was born on the 8th April, 1974. He is a Programme Management expert with knowledge and expertise in project design, planning and reporting amassed in over 15 years of professional experience. Hon. Akujah holds a Master of Science Degree in Management of Development – specialization in Rural Development and Food Security/Livelihoods from Van Hall Larestein University of applied sciences, part of Wageningen University and Research in Netherlands. He is a graduate of Moi University with a Bachelor of Science in Botany and Zoology. He also holds two Diplomas; Community Development and integrated relief, and Education (Agricultural Education and Extension).

Hon. Akuja is the Chairman of the Board Resource Mobilisation, Programmes and Communications Committee. He also serves in the Board Audit Committee

| | |
|---|--|
|  <p>Mr. Bernard Wachira Kibanya- Member-NETFUND Board of Trustees</p> | <p>Mr. Wachira was born on the 18th December, 1960. He is a skilled attorney with over 29 years' experience performing Civil litigation, Conveyancing, Commercial Law, Family Law, Corporate Law, Legal and Security Audits, and Personal Injury Claims. He is currently a Senior Partner at Amolo and Kibanya Advocates where he has negotiated hundreds of settlements. He previously worked with Simiyu Wetangula and Company Advocates.</p> <p>Mr. Wachira holds a Bachelor of Laws (LL. B (Hons) from The University of Nairobi, a Diploma in Law from the Kenya School of Law (KSL) and is a Certified Public Secretary (CPS) of Kenya.</p> <p>Mr. Wachira is the Chairman of the Board Governance, risk and compliance committee.</p> |
|  <p>Mr. Wilberforce Muriungi- Member-NETFUND Board of Trustees</p> | <p>Mr. Ntwiga was born on the 23rd March, 1986. He is an Agricultural and Rural Development expert with a specialty in building and managing agribusiness initiatives. He holds a master's degree in Agriculture and Rural Development from the Kenya Methodist University (KEMU) and a Bachelor of Science in Agri-business Management from Egerton University. Mr. Ntwiga has over 10 years of progressive professional experience. He has previously worked at Bayer East Africa, Technoserve Kenya and Cereal Growers Association as a Project Field Officer in charge of Grain Value Chains. He served in the previous NETFUND Board of Trustees (2015-2017) as the Chairperson of the Finance, Human Resource and Administration Board Sub-Committee. He is currently the Chairman of the Audit Board Committee and serves as a member in the Board Resource Mobilisation, Programmes and Communications Committee.</p> |
|  <p>Ms. Linnet Vitisia Representative of the Principal</p> | <p>Ms. Linnet M. Vitisia was born on the 8th December, 1971. She holds a Master of Business Administration Degree and is a Certified Public Accountant and a Certified Investment and Financial analyst. She has with over 25 years' experience in Public Service in areas of accounting, budgeting and finance. Linnet has served as a Financial Attaché at the Kenya Embassies in Belgium and Sweden. She is currently the Assistant Accountant General and the Head of Disbursement Unit at the Resource Mobilization Department of the Public Debt Management Office, National Treasury.</p> <p>She serves in the Audit Committee of NETFUND.</p> |

**Secretary-National Treasury to
the Board of Trustees.**



Dr. Pacifica Ogola
Representative of the Principal
Secretary in the Ministry of
Environment and Forestry.

Dr Pacifica F. Achieng Ogola was born on the 11th of March 1970. She has over 20 years' experience working in Energy, Environment and Climate Change in various capacity. She is currently the Director and Head of Climate Change Directorate at the Ministry of Environment and Forestry and National Focal Point to the United Nations Framework Convention for Climate Change (UNFCCC) and the Nairobi Convention. Dr. Ogola previously worked at the Kenya Electricity Generating Company Ltd as the Chief Clean Development Officer where she led environmental compliance in various power plant projects and managed their carbon credits. She holds a Doctor of Philosophy (PhD) in Environmental Science (Environment and Natural Resources) from the School of Engineering and Earth Sciences, University of Iceland in Geothermal Energy; Master's Degree in Environmental Science (Natural Resource Management) from Kenyatta University focusing on Surface Water Utilization and Conservations Aspects, and a bachelor's degree from Kenyatta University, Geography Major. She also holds a Diploma in International Environmental Law from the United Nations Institute for Training and Research (UNITAR); a Diploma in Environmental Studies in Geothermal Development from the United Nations University-Geothermal Training Program (UNU-GTP) in Iceland, and a Diploma in Environmental Management from Galilee College, Israel. Dr. Ogola serves in the Resource Mobilisation, programmes and communications committee of NETFUND.

SENIOR MANAGEMENT TEAM

Samson Toniok – Chief Executive Officer

Samson Lekokoo Toniok, is an accomplished results driven leader keen on developing those he leads to accomplish common goals. He has more than ten years of progressive experience in



Finance and accounting in the public sector. He has served as Finance Director in NETFUND prior to his appointment as the Chief Executive Officer. Samson has Master of Science Degree in Finance and a BCom (Second Class Honours). He is a CPA (K), ISA with expertise in developing and implementing financial controls, financial reporting, IFRS, IPSAS, budgeting, Taxation, Project accounting

and financial management. He possesses solid leadership, communication, and interpersonal skills to establish rapport with all levels of staff and management.



As the head of the Directorate of Resource Mobilization and Business Development, Dr. Njagu has the overall responsibility for the direction and coordination of the Fund's fundraising efforts. He is responsible for designing and leading the implementation of resource mobilization strategies intended to grow, maintain, and diversify NETFUND's funding portfolio. He has over 25 years' progressively responsible experience in resource mobilization and strategic donor/partnerships cultivation and engagement, strategic communications, external relations, policy, and program implementation. Prior to joining NETFUND, Dr. Njagu served as the Director, Resource Mobilization and Chief of Staff at the East African Community.

CHAIRMAN'S STATEMENT

a) Review of the economy

It gives me great pleasure to report another successful year for the organisation. Against a backdrop of the COVID-19 pandemic and the resultant restriction on movement countrywide, there was a marked slowdown in economic growth in 2020/2021

It is estimated that Economic growth in the first three quarters of 2021 contracted by an average of 0.4% compared to an average growth of 5.3% over the same period in 2019/2020. In this period the country's GDP decelerated to about 1.4% from approximately 5.4% in the year 2019/2020 attributable to the general decline in economic activity.

In response the government of Kenya has deployed various tools including fiscal, monetary, and financial policy measures to curb the impact of the pandemic on businesses and households.

The Central Bank Rate has been retained at 7.0% to signal lower lending rates. The money market was relatively liquid in March 2021 supported by government payments which partly offset tax receipts.

The National Government continued to intensify revenue collection. Revenue including A-I-A for the period between July 2020-March 2021 amounted to Kes.1,245.3 billion (11.1% of GDP) against a target of Kes.1,276.9 billion. The revenue was below target by Kes.31.6 billion mainly due to underperformance in major taxes such as PAYE, Other Income Taxes, Domestic Value Added Taxes and the ministerial A-I-A¹.

The Government of Kenya also rolled out an economic stimulus programme that was aimed at cushioning vulnerable Kenyan against effects of the COVID pandemic through job creation to boost household income while contributing to environmental restoration through tree growing programmes and alternative livelihoods.

NETFUND has been a recipient of over Kes. 122 million of ESP funds and has so far supported vulnerable communities in the first phase. The second phase will be implemented in the current financial year.

The Board of Trustees continues to be a valuable partner to the Government of Kenya in efforts to ameliorate the effects of the pandemic and to give impetus to attainment of the 10% tree cover by 2022. The Board has also continued to uphold good governance and ethical operations of the organisation in accordance with the Constitution of Kenya and good principles of Governance as set out in the various Government policy documents. We continue to implement the Performance contract which we have signed with the Cabinet Secretary in the Ministry of Forestry and Environment which ensures that service delivery is enhanced in NETFUND for the benefit of the people of Kenya.

¹ National Treasury and Planning Economic and Budgetary Review Q3 report FY 2020/21.

b) Review of the sector & any changes

Kenya submitted an updated Nationally Determined Contribution (NDC) to the UNFCCC in December 2020. This is in line with the 2015 Paris Agreement of which Kenya is a signatory. In the updated NDC, Kenya has committed to abate 32% of GHG relative to BAU scenario of 143 MtCO₂. It is estimated that the cost of implementing the mitigation and adaptation actions in the NDC will cost USD 62 Million. This is a significant figure that will require assistance from development partners.

The environment sector has also focused on implementation of activities to support attainment of the 10% tree cover based on a Presidential Directive to achieve this target by 2022. There have been concerted efforts by all the SAGAs to ensure adequate availability of certified seeds, mobilisation of communities and the private sector for collaborative action towards major tree growing activities.

Pursuant to this, NETFUND is coordinating a project to fund raise for the growing of 2 billion seedlings. The project has attracted support from United Nations Agencies including UNDP, UNEP and FAO; Ministry of environment and Forestry SAGAs and private sector entities, among others. The objectives of the project are:

- i) To Establish and operationalize sustainable financing mechanisms for National Tree Growing Project
- ii) Produce 2 billion quality seedlings in Public, and Private Tree Nurseries
- iii) Increase the National Tree / Forest Cover by 2.8%
- iv) Improve forest governance for sustainable forest management

The sector also embarked on review of EMCA which is the primary Act that governs the environment sector in Kenya. As a stakeholder NETUND has submitted proposals through a draft amendment bill that will seek to transform the organisation into basket fund for the sector. The proposed bill seeks to enable NETFUND access a variety of funding opportunities compared to the current state.

c) Outlook FY 2021/2022

The key to resumption to greater economic normalcy remains vaccination against the COVID pandemic. The Government of Kenya has rolled out plans to vaccinate at 10 million adults by the end of December 2021. This is considered critical for the Economy to rebound and to mitigate any future infections that will be occasioned by crowding during the electioneering period next year.

In the Budget Review and outlook paper for fiscal year 2021/2022, economic growth is projected to grow at 6.2% up from 3.6% in the last year (2020/2021). This optimism is predicated on sectors such as Agriculture and ICT which grew by 6.4% and 7.5% respectively in quarter three. With gradual opening up of travel worldwide as more people are vaccinated, we expect a rebound in the transportation and tourism sectors.

As the key environmental fund in Kenya, NETFUND will continue to support resource mobilization in the sector through the proposed 2billion tree growing fund. The organisation will

also push for finalisation of the review of the EMCA amendments to enable the fund access to an array of financial instruments that will support environmental management in Kenya.

We have revamped our resource mobilisation efforts through enhancing the leadership and capacity of staff to engage in fund raising and we expect to engage in robust fund-raising efforts in the coming year.

Acknowledgement

On behalf of NETFUND Board of Trustees and staff, I thank the Government of Kenya, Ministry of Environment and Forestry, and other stakeholders for their continued support. This support has been critical during the unprecedented time of the COVID pandemic. The support has gone a long way towards ensuring sustainability of the organization and continuous provision of service the people of Kenya.

I also wish to thank my fellow trustees for their dedication towards steering the Board and by extension the organization. Their advice and guidance have played a key role in the attainment of organizational targets. The NETFUND management and staff have risen to the challenges with a great deal of resourcefulness, diligence, resilience, and determination. We are proud of the team and greatly appreciate their ability and commitment towards achieving the Fund's vision, mission and objectives.

I look forward to a promising financial year 2021/22. God Bless you all.

Thank you,

Signed:

Hon. Rev. Moses Akaranga
Chair, Board of Trustees

REPORT OF THE CHIEF EXECUTIVE OFFICER

I am pleased to present to you the report on the performance of NETFUND for the financial year 2020-2021. As with all other entities countrywide, the Fund's programmes were disrupted by the COVID pandemic which constrained movement in the country and caused many sectors to come to a standstill. However, the Fund remains committed to implementation of strategies focused on fund raising for environment management. This was done through enhancing collaboration with sector players and participation in National events pertaining to our core mandate.

Financial Performance

During the year under review, Government recurrent grant declined marginally by 1.4% from 143M to 141M. Development funding also declined by 43% from 26.5M to 15 M underlining the financial pressure facing the Government due to competing priorities. There has been intensified efforts towards resource mobilization not only for the organisation but for the sector to bridge the funding gap.

Total expenses declined marginally by 7.5% from 169.5M to 156.7 M mainly due to reduction in employee costs, Board expenses and project costs. The organisation has been diligent in ensuring strict cost controls.

Review of performance; Programme achievements

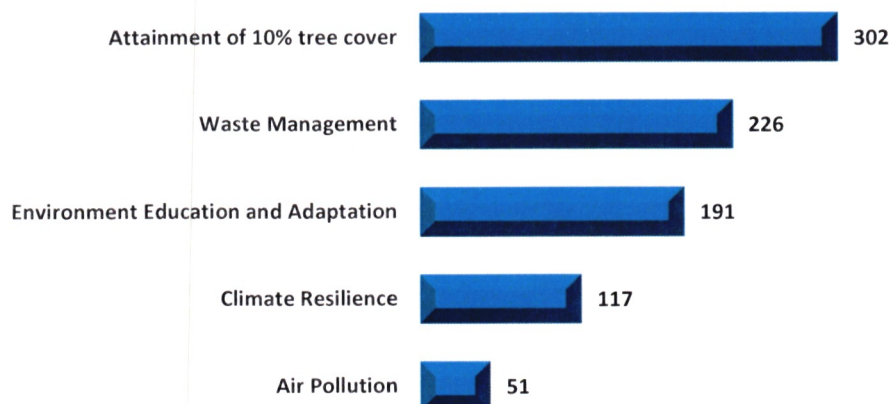
1. NETFUND Green Innovations Award Phase IV

The NETFUND GIA is the organisation's flagship programme that recognizes and awards environmental heroes and heroines whilst actively sensitizing the public on the importance of environmental conservation. It has a strong business incubation component whose purpose is to nurture innovative initiatives and transform them into viable green enterprises.

The programme promotes green growth through recognition and adoption of innovations that reduce the effects of climate change with a particular emphasis of ensuring that there is an environmentally responsible society embracing best practices for a clean, healthy and productive environment. Highlighted below are key programme achievements for the period under review: -

The fourth phase of the NETFUND Green Innovations Award was launched on the 20th February and ran up to 20th March 2020. The programme targeted applicants from counties, academic institutions (Primary and secondary schools, universities, and colleges), journalists, community-based organizations, micro, small and medium enterprises (MSMEs) and individuals. Total number of applications received 887 from all counties in Kenya with a breakdown of the thematic areas and categories as shown in the charts below:

Applications by Thematic Areas



Applications by Categories



Twenty innovators were recognised and awarded at a Gala event held on the 26th of February 2021 in Nairobi. The awardees also received cash prizes with the winner in each category receiving Kes. 250,000, 1st runner up Kes. 200,000 and the 2 runners up Kes. 150,000 except the County category who received certificates and trophies. A group of 10 innovators were enrolled to the NETFUND Incubation programme to undergo 18 months of intensive capacity building that includes product development, market linkages and support, investor readiness and business plan preparation.

NETFUND also partnered with NEMA, to encourage and support young generation environmentalists during the World Environment Day 2021. Over 100 youth from Primary, Secondary and Universities and Colleges were recognised and awarded cash prizes, certifications for

championing environmental conservation. At NETUND we believe in fully engaging the youth at the earliest to participate in environmental conservation.



Photo 1: NETFUND CEO, Samson Toniok awards a young environmental champion on the World Environment Day, 2021.

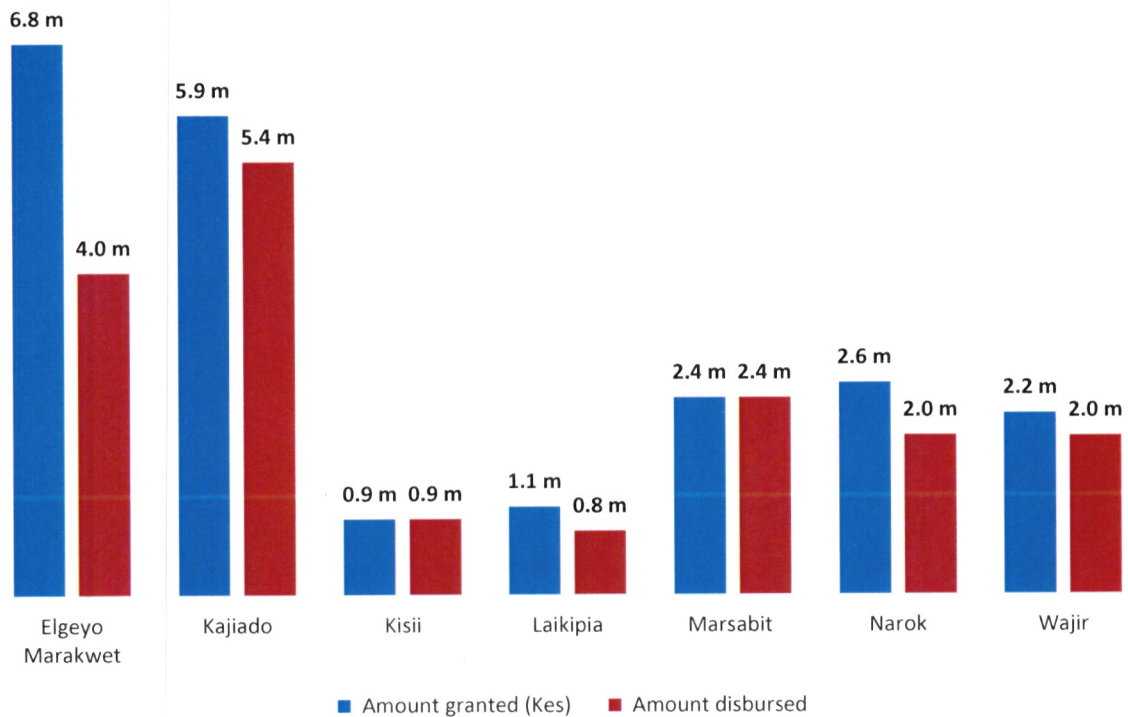
2. Tree Growing Initiatives

i) Economic Stimulus Programme

NETFUND received financial support of Kes 22.4M through the Economic Stimulus Programme to support establishment of tree nurseries and nature-based enterprises in various counties including Narok, Kajiado, Laikipia, Marsabit, Elgeyo Marakwet and Wajir. To this end, NETFUND has supported community groups to establish tree nurseries and beekeeping initiatives in these counties. The table below shows the disbursements to the various counties and the utilisation so far.

It is worth noting that ESP allocation to NETFUND for FY 2021/2022 is Kes. 100 million.

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On aggregate the ESP funds for the first phase were utilised as shown below:

1. Growing of 3.9 million seedlings
2. Purchase of 420 beehives
3. Purchase of 3 water tanks
4. Fencing of 2 km to protect seedlings

NETFUND has continued to support the Government's efforts towards attainment of 10% tree cover by 2022, by organising and participating in various functions with the Ministry of Environment and related Agencies. During the period under review NETFUND participated in several tree planting activities countrywide.

NETFUND was designated the lead Agency in fund raising for the 4th edition of the Kaptagat Integrated Conservation Programme which took place on the 26th June, 2020. A total of 82,830 tree seedlings were planted and Ksh. 9.8 million in financial contributions were obtained from the Ministry.



Photo 2: The Elgeyo Marakwet governor, Alex Tolgos joins NETFUND board chair Moses Akaranga, NETFUND CEO Samson Toniok among other board members in a tree planting exercise to mark the 4th edition of Kaptagat Integrated Conservation Programme tree planting exercise



Photo 3: Environment and Forestry CS Keriako Tobiko, Member NETFUND Board of Trustees, NETFUND, CEO Samson Toniok together with NETFUND Staff members together with KFS officials preparing to plant a ceremonial tree seedling at KFS forest station in Kirinyaga Co

3. Key Partnerships established

Establishment of strategic partners is one of the key fundraising strategies that NETFUND has adopted. This is in realisation that collaborative effort is more effective in resource mobilisation as we can take advantage of organisational synergies. In the last one year, NETFUND has actively engaged the private sector for engagement in the 2 billion tree planting campaign. In collaboration with the Ministry, NETFUND has brought on Board Equity Bank, I&M Bank, ABSA Bank and many other private entities to support the tree growing efforts. This has resulted in commitments of over 70 million seedlings to support the tree growing efforts.

Furthermore, NETFUND has brought together the Ministry of Environment and Forestry SAGAs and the multi-lateral organisations to fund raise for the tree growing programme and to set up a tree growing fund. UNDP has already committed seed capital of USD 75,000.

4. Performance Contracting

NETFUND has been engaged in performance contracting with the Government of Kenya through the Ministry of Environment and Forestry to ensure that the organisation remains focused on execution of mandate, sector performance standards and Vision 2030. The Key Performance Indicators outlined in the Performance Contract include financial & stewardship, service delivery, operational and qualitative indicators derived from the Medium-Term Expenditure Framework, Vision 2030 and Sector Performance standards.

Performance trends in the previous PCs is as shown below

- i) FY 2017/2018 the Fund scored 3.1696 which is classified as Good
- ii) FY 2018/2019 the Fund scored 2.9741 classified as Very Good
- iii) FY 2019/2020 the Fund scored 3.2628 classified as Good

The Fund was second overall in the Sector in FY 2019/2020

5. Human Capital



A SECTION OF STAFF DURING AN ENGAGEMENT WITH A PARTNER

NETFUND continues to ensure the welfare of its staff through offering competitive terms to its staff members. As an organisation we believe that human capital is a key pillar to the successful execution of the Board's Strategic Plan. NETFUND has therefore continued to develop the human capital through on-the-job training, mentoring and coaching and creating of an enabling environment for the staff to fully develop their talents. The fund is also keen on identifying talent to join the team and enhance performance and impact of the organisation.

Last year, NETFUND brought on board a resource mobilisation Director, a communications manager and a Senior ICT officer who are all expected to give impetus to achievement of the organisational goals. The fund workforce of 36 (thirty-six) members of staff.

In the year under review, NETFUND was categorised as a Financial Institution paving the way for the organisation to take its rightful place as the premier environmental Fund in Kenya.

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Future Outlook

Over the past year, NETFUND has continued to play the role of coordinating fund raising efforts for the sector especially with regard to the 2 billion tree growing project which seeks to accelerate tree growing for attainment of the 10% tree cover by 2022. NETUND has brought on board private sectors entities and ensure that tree growing is a collaborative cogent activity with all stakeholders on Board. This is a role that NETFUND will continue to run with in the coming year.

We also expect to set up a tree growing fund with assistance from the UN bodies including the UNDP and FAO among others.

The fund will also pursue the finalization of the EMCA amendments that will position the organization as the principal environmental fund in Kenya with access to more robust funding and resource mobilization expertise

Meanwhile, NETFUND will be focusing on efforts to fundraise in collaboration with relevant stakeholders in the environment sector. The fund implements various Programmes including NETFUND Green Innovations Award which will identify and support innovative green enterprises for incubation and acceleration.

We have brought on board a Resource Mobilization director who is expected to provide leadership to the RM team and bring in the much-needed linkages and much-needed resources for environmental management to plug the funding deficit in the sector.

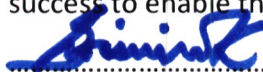
Appreciation

The last year would not have successful without support from our key stakeholders including the Government of Kenya, especially the National Treasury and our parent ministry, the Ministry of Environment and Forestry. Our stakeholders have assisted us navigate a very difficult and we truly appreciate them for their continued support and insight.

As we gravitate toward the post covid era, NETFUND will take a major role in fundraising and supporting the Government of Kenya to actualise the various stimulus programmes to kick-start the Economy.

I am also grateful to our development partners and to all other our stakeholders for their unwavering trust, support and partnership.

Above all, I would like to thank the Board of Trustees, management and staff for their dedication, determination, and commitment to NETFUND. Collaborative teamwork is key to our continued success to enable the organisation actualise its potential.



.....

Samson Toniok
Chief Executive Officer

CORPORATE GOVERNANCE STATEMENT

Establishment and Composition of the Board

The National Environment Trust Fund (NETFUND) was established by the Environmental Management and Coordination Act (EMCA) 1999, Revised (2015), Section 24 “to facilitate research intended to further the requirements of environmental management; capacity building; environmental awards; environmental publications; scholarships; and grants”.

A Board of Trustees comprising of five professionals (Also includes 2 representatives from the Ministry of Environment and Forestry and the National Treasury) is in place in accordance to EMCA 1999 (and subsequent revisions) and the NETFUND Board of Trustees is the highest decision-making organ with fiduciary responsibility for the FUND.

Management and Governance of the Fund

NETFUND is administered by a Board of Trustees (BoT) appointed by the Cabinet Secretary of Environment and Forestry. The BoT is the main decision-making organ charged with, amongst other things, policy formulation, provision of advisory services, control of NETFUND funds and assets and undertaking other activities in line with the mission and vision of NETFUND.

The Role 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 NETFUND’s strategy and ensuring best practice of corporate governance.

The Board retains full and effective control over the Fund 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 NETFUND’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 Fund, performance reporting processes as well as other disclosure requirements.

The Board meets at least once a quarter. The calendar of meetings is prepared annually in advance and detailed papers to be discussed are made available to Trustees in good time before the meeting.

BOARD EFFECTIVENESS

The separation of the functions of the Chairperson of the Board of Trustees and Chief Executive Officer ensures independence of the Board from NETFUND’s corporate management. There is a clear definition of the roles and responsibilities of the two offices.

The Chairperson is a non-executive trustee and is primarily responsible for providing leadership to the Board while the Chief Executive Officer is responsible for the day-to-day management of the Fund. This achieves an appropriate balance of power, increased accountability and improved capacity for decision making.

Trustees Remuneration

In accordance with guidelines provided in the State Corporations Act, the trustees are paid taxable sitting allowance for every meeting attended, as well as travel and accommodation allowances while on NETFUND's duty. The Chairman is also paid a monthly honorarium. However, it is important to note that the immediate former Board of Trustees did not have a substantive chairman.

Statement of Compliance

The Board of Trustees confirms that National Environment Trust Fund has throughout the 2019/2020 financial year complied with all Statutory and Regulatory requirements and that NETFUND has been managed in accordance with the requisite principles of Corporate Governance.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

The Trustees are responsible for reviewing the effectiveness of the Fund's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposal and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

Standing Instructions

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

Organization Structure

A clear organizational structure exists, detailing lines of authority and control responsibilities. The professionalism and competence of staff is maintained both through rigorous recruitment policies and a performance appraisal system which establishes targets, reinforces accountability and awareness of controls, and identifies appropriate training requirements. Training plans are prepared and implemented to ensure that staff develop and maintain the required skills to fulfil their responsibilities, and that the Fund can meet its future management requirements.

Strategic Plan

The business of the fund is determined by the Strategic Plan. The Strategic Plan sets out the objectives of the fund, and the annual targets to be met to attain those objectives. The Strategic Plan is evaluated annually to assess the achievement of those objectives. On an annual basis, NETFUND's Board of Trustees approves the work plan supported by the financial plan for the year. Progress in achieving the set objectives in the plan is monitored on a quarterly basis.

Internal Control Framework

The Fund continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an ongoing basis. A risk-based audit plan, which provides assurance over key business processes and operational and financial risks facing the Fund, is approved by the Board.

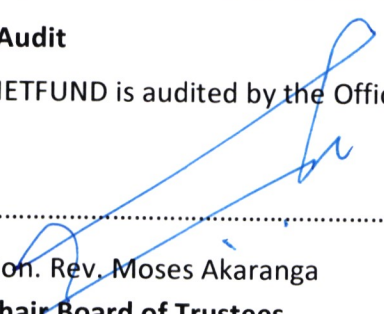
The Board considers significant control matters raised by management and both the internal and external auditors. Where weaknesses are identified, the Board ensures that management takes appropriate action. No significant failings or weaknesses were identified during 2020/2021.

Management Team

The management team headed by the Chief Executive Officer implements the Board decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the Board's objectives are achieved effectively and efficiently.

Audit

NETFUND is audited by the Office of the Auditor General as required by statute.

.....

Hon. Rev. Moses Akaranga
Chair Board of Trustees

.....
14/04/2022
.....
Date

MANAGEMENT DISCUSSION AND ANALYSIS

The Entity's operational performance

NETFUND is established under the provisions on EMCA 1999 Revised 2015 'to facilitate research intended to further the requirements of environmental management; environmental awards; capacity building; environmental publications; scholarships and grants.

In line with its mandate of supporting environmental awards, the NETFUND has developed the Green Innovations Award. NETFUND is mandated to identify, recognize and reward innovative projects and ideas that contribute to improved livelihoods and environmental sustainability in Kenya. NETFUND GIA is an annual flagship programme of NETFUND that promotes green growth and address the impacts of climate change through efforts that will contribute to a low carbon and climate resilient development pathway.

During the FY 2020/2021 the programme has supported 10 micro and medium enterprises to access financial support as well as other growth opportunities.

Under the research component NETFUND developed an environmental research financing framework that will be used for resource mobilisation for research in the organisation.

NETFUND has developed publications on environmental management; The activities were affected by the COVID-19 pandemic which delayed the completion of the publications in due time. The publications are in the following areas of Environmental Governance and Air quality management.

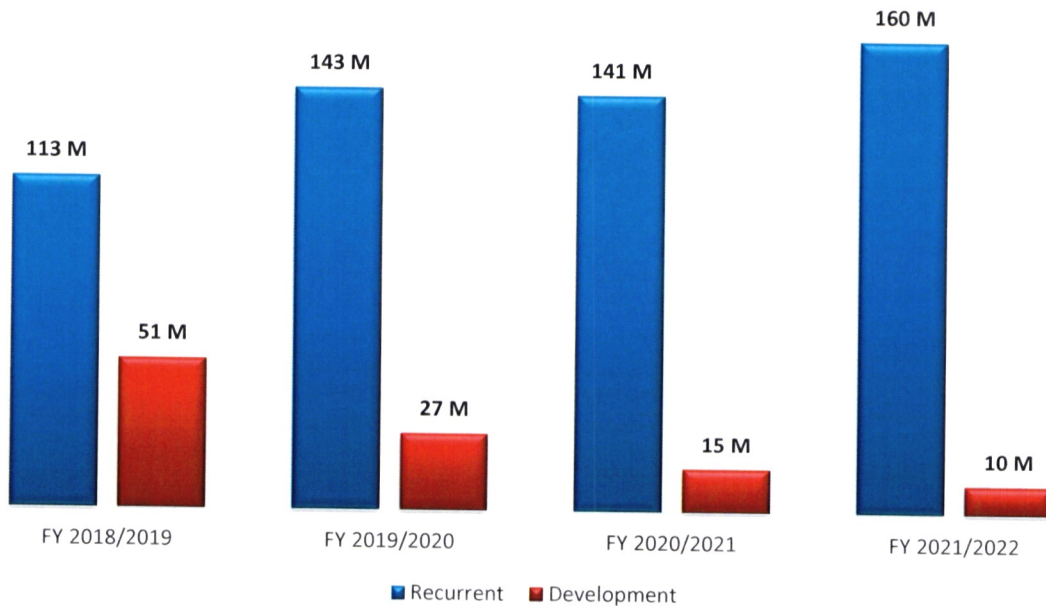
The organisation has recently finalised review of its five-year strategy in order to respond to the challenges and opportunities within the sector as well as align its work with national priorities. Some of the key trends within the sector include; Climate change and green entrepreneurship and innovation. These issues are captured in national plans such as the National Climate Change Action Plan and Green Economy and Implementation Strategy.

Financial Performance

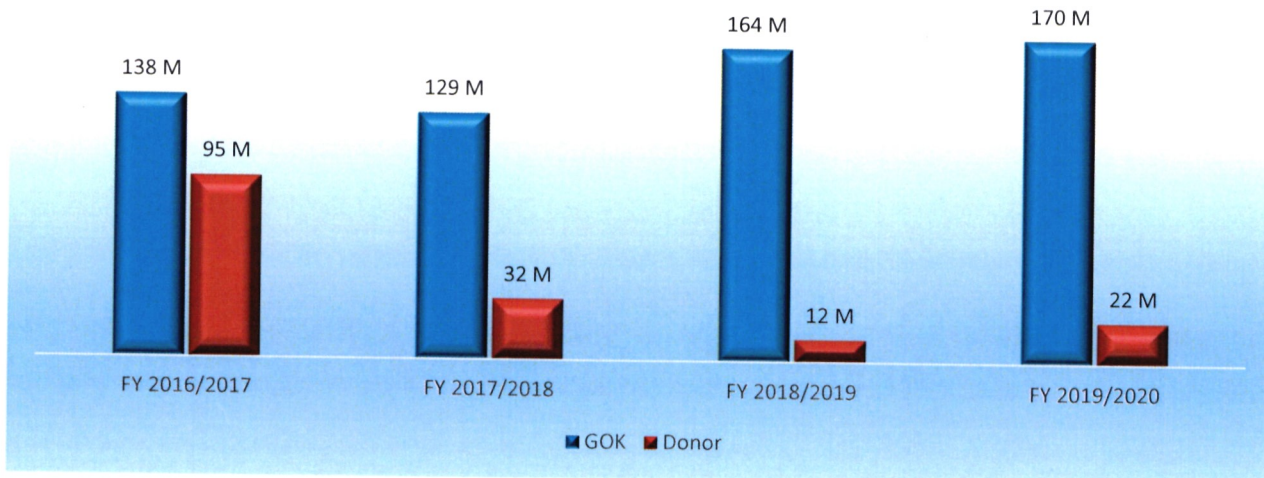
During the year under review, Government recurrent grant declined marginally by 1.4% from 143M to 141M. Development funding also declined by 43% from 26.5M to 15 M underlining the financial pressure facing the Government due to competing priorities. There has been intensified efforts towards resource mobilization not only for the organisation but for the sector to bridge the funding gap.

Total expenses declined marginally by 7.5% from 169.5M to 156.7 M mainly due to reduction in employee costs, Board expenses and project costs. The organisation has been diligent in ensuring strict cost controls.

NETFUND Revenue Trends in Millions (Kes)



NETFUND Revenue by Source in Millions (Kes)



SECTION B

Entity's compliance with statutory requirements

NETFUND being a state agency has a duty to ensure that all the relevant laws and regulations are adhered to and complied with. In addition, NETFUND does acknowledge its obligation to have all statutory dues such PAYE, NHIF, NSSF, withholding tax and industrial training levies processed and remitted before the set timelines.

NETFUND has put in place sufficient controls to ensure full compliance to all laws and regulations. There are no major non-compliance issues that may expose the fund to potential contingent liabilities.

SECTION C

Key projects and investment decisions the entity is planning/implementing

In line with its new five-year strategy; the organisation has outlined major strategic areas to focus on. These include;

- i) Development of strategic relationships with development partners;
- i) Collaboration with Sector Agencies;
- ii) Development and review policies and procedures for environmental research;
- iii) Facilitate the strengthening of research institutions to carry out environmental research;
- iv) Enhance dissemination of environmental research findings;
- v) Support strengthening of stakeholders' institutional capacity on climate action, ecosystem restoration and managing environmental pollution.
- vi) Support green innovations/enterprises that contribute to climate resilience, ecosystem restoration and reduction of environmental pollution.:
- vii) Enhance processes and systems for improved service delivery.
- viii) Improve human capital development to deliver on the strategy.

To ensure sustainable financing of its programs and projects, the organisation is in the process of acquiring GCF accreditation. This will enhance NETFUND's capability to handle a variety of financial instruments and earn income through fees and commission which will enhance sustainability. Concomitantly NEFUND is proposing amendments to EMCA that grant NETFUND the legal backing to deal in diverse income generating activities and set up various financing mechanisms including endowment funds and loans.

SECTION D

Major risks facing the entity

The Fund's activities expose it to a variety of strategic, operational and financial risks. The Fund's overall risk management programme focuses on the proactive identification and management of risks and seeks to minimise potential adverse effects on the achievement of its strategic objectives.

Strategy risk – This is the risk associated with an entity's inability to formulate and/or execute a successful strategy.

Programmes at NETFUND are carefully selected and formulated to ensure its mandate is achieved in a sustainable manner. To achieve this goal, NETFUND has developed and documented the new 5-year strategic plan (2019-2024). The plan is to be operationalised starting this financial year. In addition, a risk management and controls framework has been put in place to assist the Board and Management in understanding business risk issues and key performance indicators affecting the ability of the Fund to achieve its objectives both in the short and long term.

Operational risk - This is the risk of failure or loss resulting from inadequate or failed processes, people, or systems. At NETFUND, this risk has been managed through defining and documenting key procedures and embedding internal controls in all the processes. These internal controls include- though not limited to- obtaining authorizations for all transactions and ensuring compliance with laws and regulations as well as agreements with our stakeholders especially the development partners and beneficiaries. Additionally, NETFUND is implementing the ISO 9001:2015 which will assist in standardising processes in line with International best practice and mitigating operational risks.

Liquidity risk – This is the risk that an entity will be unable to meet its obligations as they fall due. Prudent liquidity management includes maintaining sufficient cash balances to cover anticipated expenditures. NETFUND endeavours to identify anticipated expenditure through a consultative budgeting process and communicate the same to the parent ministry and donors for approvals and funding.

Credit risk- NETFUND's credit risk is primarily attributable to its liquid funds with financial institutions, deposits and prepayments made for provision. The credit risk on the liquid funds with financial institutions is low because the counter parties are banks with high credit-ratings. The deposits and prepayments are fully performing as FUND continues to enjoy the services secured by these balances. The default rate is low.

Market risk --NETFUND takes on exposure to market risk, which is the risk that changes in market prices, such as interest rate and foreign exchange rates will affect NETFUND's surplus or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. Monitoring of market risk is done by management in conjunction with the Board of Trustees.

Market risk exposures are measured by the use of sensitivity analyses. The market risk exposure for the NETFUND relates primarily to currency risk.

SECTION E

Material arrears in statutory/financial obligations

NETFUND has no existing Loans at the moment and has been able to settle statutory obligations before the set deadline. NETFUND however has pending bills in its books that it anticipates settling within the operating cycle/financial year. Strict adherence to the budget and planning ensures that no material variance is accumulated.

SECTION F

The entity's financial probity and serious governance issues

There has not been any major financial impropriety reported by the internal audit/Board audit committee, external auditors, or other oversight bodies. NETFUND has a duly constituted Board of Trustees which came into office in September 2018. The Board provides oversight on all matters of the organisation.

SECTION G

Corporate Social Responsibility Statement/Sustainability Reporting



As a responsible Corporate Citizen, NETFUND contributes towards positive transformation of life in the areas of environmental, social and economic well-being of the society in which it operates.

NETFUND works with employees and other stakeholders to identify areas that need attention, to create sustainable development in the areas we operate in.

In the year under review, NETFUND supported the National Tree Planting campaign initiated by the Ministry of Environment Forestry. By taking part in national tree, NETFUND aims to develop a culture of environmental management and conservation amongst its staff , Board of Trustees and the beneficiaries.

Together with the Ministry of Environment and Forestry, NETFUND's tree planting activities were conducted in various counties. NETFUND also supported production of tree seedlings and initiated some measures to support tree growing. Some of the tree growing initiatives included.

The Funded Supported Fencing of Schools

The fund facilitated a seventeen (17) acre perimeter fence of Emarti Primary School in Kajiado County to help the school address the following challenges

- Destruction of already existing vegetation by wind, animals and the community
- Protection of trees planted by the school and the community
- Inadequate security
- And soil erosion

NATIONAL ENVIRONMENT TRUST FUND
Annual Reports and Financial Statements
For the year ended June 30, 2021

REPORT OF THE TRUSTEES

The Board of Trustees submit their report together with the audited financial statements for the year ended June 30, 2021 which shows the state of the Fund's affairs.

Principal activities

The Fund's principal activity is to mobilize funds from any legitimate source that will facilitate research intended to further the requirements of environmental management, capacity building, environmental awards, environmental publications, scholarships and grants

Results

The results of the entity for the year ended June 30, 2021 are set out from page 1

Trustees

The trustees who held office during the year and to the date of this report are set out on in earlier sections of the report from page iv.

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with the Public Finance Management (PFM) Act, 2012. The Auditor General continues in office in accordance with the Public Finance Management (PFM) Act, 2012.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and (*section 14 of the State Corporations Act,*) require the Trustees 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 Trustees are also required to ensure that the *entity* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *entity*. The Trustees are also responsible for safeguarding the assets of the *entity*.

The Trustees are responsible for the preparation and presentation of the *entity's* financial statements, which give a true and fair view of the state of affairs of the *entity* for and as at the end of the financial year (period) ended on June 30, 2021. This responsibility includes:

- i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;

NATIONAL ENVIRONMENT TRUST FUND
Annual Reports and Financial Statements
For the year ended June 30, 2021

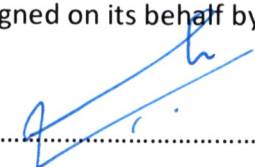
- iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv) Safeguarding the assets of the *entity*;
- v) Selecting and applying appropriate accounting policies; and
- vi) Making accounting estimates that are reasonable in the circumstances.

The Trustees accept responsibility for the *entity'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 Trustees are of the opinion that the *entity's* financial statements give a true and fair view of the state of *entity's* transactions during the financial year ended June 30, 2021, and of the *entity's* financial position as at that date. The Trustees further confirm the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the *entity's* financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Trustees 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 *entity's* financial statements were approved by the Board on _____ 2021 and signed on its behalf by:


.....

Hon. Rev. Moses Akaranga

Chair Board of Trustees

Date..... 14-04-2022


.....

Samson Toniok

Chief Executive Officer

Date..... 14-04-2022


.....

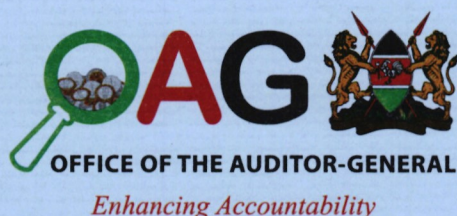
Evans Kiprotich

Finance Manager

Date..... 14-04-2022

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 TRUST FUND (NETFUND) FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of National Environment Trust Fund set out on pages 1 to 28, which comprise the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of 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 Trust Fund as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Environmental Management and Coordination Act, (EMCA) 1999 and the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

Other Matter

Prior Year Issues

The status of follow up on prior year Auditor-General's recommendation has not been included in the financial statements contrary to the requirements of the Treasury Circular Ref:AG.4/16/2Vol3 (72) of 30 June, 2021 which indicates that the status of follow up is amongst the minimum presentation and disclosures of financial statements.

In the absence of the status, the recommendations of the Auditor-General may not have been implemented.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Over Expenditure on Board of Trustees

The statement of financial performance and as disclosed in Note 9 to the financial statements reflects Kshs.10,423,452 as Board of Trustees expenses. The expenditure exceeded the budget allocation of Kshs.8,560,000 by Kshs.1,863,452. Further, the expenditure was above 5% of operations and maintenance budget of the Fund. The expenditure exceeded the allowable limit by Kshs.4,222,747 without authority contrary to Office of the President Circular Ref. OP/CAB9/1A dated 11 March, 2020.

Consequently, Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Weak Internal Controls in Safeguarding of Data

The Fund's ICT infrastructure has no off-site back-up system and a server fire wall. In addition, entry into the server room lacks biometric entry points and CCTV cameras as control tools.

In the circumstance, the ICT Infrastructure was not adequately secured.

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

Responsibilities of Management and the Board of Trustees

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 control as Management determines is

necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

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

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

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

The Board of Trustees is responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the Fund monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that

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


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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund'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 Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

22 July, 2022

NATIONAL ENVIRONMENT TRUST FUND
Annual Reports and Financial Statements
For the year ended June 30, 2021

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2021

| | Note | 2020-2021 | 2019-2020 |
|--|------|--------------------|--------------------|
| | | Ksh. | Ksh. |
| Revenue from non-exchange transactions | | | |
| GOK Grants | 5 | 195,403,185 | 169,600,000 |
| Public contributions and donations | 6 | 1,910,000 | 543,300 |
| Transfers from other government entities | 7 | 1,826,050 | 540,918 |
| | | 199,139,235 | 170,684,218 |
| Revenue from exchange transactions | | - | - |
| Finance income - external investments | | - | - |
| Other income | | - | - |
| Total revenue | | 199,139,235 | 170,684,218 |
| Expenses | | | |
| Employee costs | 8 | 76,568,835 | 87,071,662 |
| Board of Trustees Expense | 9 | 10,423,452 | 12,159,399 |
| Depreciation and amortization expense | 10 | 4,802,248 | 3,097,599 |
| Repairs and maintenance | 11 | 1,360,628 | 372,408 |
| Contracted services | 12 | 1,111,153 | 3,738,438 |
| Project Costs | 13 | 58,571,266 | 24,261,818 |
| General expenses | 14 | 44,973,478 | 38,820,378 |
| Total expenses | | 197,811,060 | 169,521,703 |
| Other gains/(losses) | | - | - |
| Surplus before tax | | 1,328,176 | 1,162,515 |
| Taxation | | - | - |
| Surplus for the period | | 1,328,176 | 1,162,515 |

The notes set out on pages 7 to 31 form an integral part of these Financial Statements

NATIONAL ENVIRONMENT TRUST FUND
Annual Reports and Financial Statements
For the year ended June 30, 2021

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

| | Note | 2020-2021 | 2019-2020 |
|---|------|--------------------|-------------------|
| | | Ksh. | Ksh. |
| Assets | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | 15 | 103,520,525 | 27,520,431 |
| Receivables from Exchange Transactions | 16 | 1,908,666 | 2,608,680 |
| Receivables from non-exchange Transactions | 17 | 567,880 | 1,336,284 |
| Inventory | 18 | 784,609 | 1,452,614 |
| Work in Progress | 19 | - | 6,304,000 |
| | | 106,781,680 | 39,222,009 |
| Non-Current Assets | | | |
| Property, plant and equipment | 20 | 19,517,320 | 7,178,997 |
| Intangibles | 21 | 2,622,094 | 3,347,438 |
| | | 22,139,414 | 10,526,435 |
| Total Assets | | 128,921,095 | 49,748,445 |
| | | | |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and Other payables from exchange transactions | 22 | 18,007,821 | 15,142,510 |
| Deferred Income | 24 | 89,616,815 | - |
| Provisions | | - | 14,637,652 |
| Total Current Liabilities | | 107,624,636 | 29,780,162 |
| | | - | - |
| Total Liabilities | | 107,624,636 | 29,780,162 |
| | | | |
| Net Assets | | | |
| Capital Reserves | | 7,714,898 | 7,714,898 |
| Accumulated surplus | | 13,581,561 | 12,253,385 |
| | | 21,296,459 | 19,968,283 |
| Total net assets and liabilities | | 128,921,095 | 49,748,445 |

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:



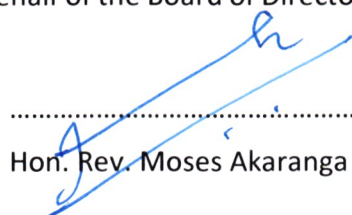
Samson Toniok
 ICPAK No 6632.
Chief Executive Officer

Date.....14-04-22



Evans Kiprotich
 ICPAK No 23383.
Finance Manager

Date.....14-04-22



Hon. Rev. Moses Akaranga
Chair Board of Trustees

Date.....14-04-22

NATIONAL ENVIRONMENT TRUST FUND
Annual Reports and Financial Statements
For the year ended June 30, 2021

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 30 JUNE 2021

| | Notes | Capital Reserve | Accumulated Surplus | Total |
|---------------------------------------|-------|------------------|---------------------|-------------------|
| | | Ksh. | Ksh. | Ksh. |
| Balance as at 1st July 2019 | | 7,714,898 | 11,090,692 | 18,805,590 |
| Prior year adjustment | 1 | - | 178 | 178 |
| Surplus/(deficit) for the period | | - | 1,162,515 | 1,162,515 |
| Transfers to/from accumulated surplus | | - | - | - |
| Balance as at 30 June 2020 | | 7,714,898 | 12,253,385 | 19,968,283 |
| Prior year adjustment | | - | - | - |
| Balance as at 1st July 2020 | | 7,714,898 | 12,253,385 | 19,968,283 |
| Surplus/(deficit) for the period | | - | 1,328,176 | 1,328,176 |
| Transfers to/from accumulated surplus | | - | - | - |
| Balance as at 30 June 2021 | | 7,714,898 | 13,581,561 | 21,296,459 |

Note:

1. Prior year adjustment related to a payment for a supplier whose invoice had been captured incorrectly. The accounts payable had been charged in excess by Kshs. 178. We therefore debited the accounts payable by Kshs. 178 and credited accumulated surplus.

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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

| Cashflows from operating activities | Note | 2020-2021 | 2019-2020 |
|---|-------------|--------------------|-------------------|
| Surplus for the year | | 1,328,176 | 1,162,515 |
| Adjustment for: | | | |
| Prior year adjustments | | - | 177 |
| Depreciation and Amortization | | 4,802,248 | 3,097,599 |
| Net Cashflows generated from operating Activities before working capital changes | | 6,130,424 | 4,260,291 |
| Changes in Working Capital | | | |
| (Increase) / Decrease in Trade Receivables | | 1,468,418 | 861,528 |
| (Increase) / Decrease in Inventories | | 668,005 | (95,822) |
| (Increase) / Decrease in work in progress | | 6,304,000 | (6,304,000) |
| Increase / (Decrease) in Payables | | 2,865,311 | 10,629,692 |
| Increase / (Decrease) in Deferred income | | 89,616,815 | - |
| Increase / (Decrease) in Provisions | | (14,637,652) | (162,348) |
| | | 86,284,897 | 4,929,050 |
| Net Cashflows from operating Activities | | 92,415,321 | 9,189,341 |
| Cashflows from Investing Activities | | | |
| Purchase of Assets | 20 | (16,415,227) | (1,291,565) |
| Adjustment in the Value of Assets | | - | - |
| | | | |
| Net Increase / (Decrease) and Cash Equivalents | | 76,000,094 | 7,897,776 |
| Cash and Cash Equivalents as at 1st July | | 27,520,431 | 19,622,655 |
| Cash and Cash Equivalents as at 30 June 2021 | | 103,520,525 | 27,520,431 |

(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation). **NETFUND has prepared the Cash Flow statement using the indirect method.**

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 30 JUNE 2021

| | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference |
|--|--------------------|---------------------|--------------------|----------------------------|------------------------|
| | 2020-2021 | 2020-2021 | 2020-2021 | 2020-2021 | 2020-2021 |
| | Ksh. | Ksh. | Ksh. | Ksh. | Ksh. |
| Revenue | | | | | |
| GOK Grants | 171,100,000 | 24,303,185 | 195,403,185 | 195,403,185 | - |
| Public contributions and donations | - | 1,910,000 | 1,910,000 | 1,910,000 | - |
| Transfers from other government entities | - | 1,826,050 | 1,826,050 | 1,826,050 | - |
| Total income | 171,100,000 | 28,039,235 | 199,139,235 | 199,139,235 | - |
| Expenses | | | | | |
| Employee costs | 78,480,334 | - | 78,480,334 | 76,568,835 | 1,911,499 |
| Board of Trustees Expense | 8,560,000 | - | 8,560,000 | 10,423,452 | (1,863,452) |
| Depreciation and amortization expense | 5,500,000 | - | 5,500,000 | 4,802,248 | 697,752 |
| Repairs and maintenance | 1,800,000 | - | 1,800,000 | 1,360,628 | 439,372 |
| Contracted services | 2,750,000 | - | 2,750,000 | 1,111,153 | 1,638,847 |
| General Expenses | 44,009,666 | - | 44,009,666 | 44,973,478 | (963,812) |
| Project Costs | 30,000,000 | (28,039,235) | 58,039,235 | 58,571,266 | (532,031) |
| Total expenditure | 171,100,000 | (28,039,235) | 199,139,235 | 197,811,059 | 1,328,176 |
| Surplus for the period | - | - | - | 1,328,176 | (1,328,176) |

Budget Notes

The differences between actual and budgeted amounts all fall within then the 10% threshold as provided by IPSAS 24.14 except for board expenses. Employee costs had an under expenditure due to staff who exited in the course of FY 2020/2021 and had been budgeted for. This was however within the budget threshold limit.

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Board expenses exceeded the budget due to recruitment of Director Resource mobilization & Corporate Communications Manager. The sittings exceeded the plan due to unforeseen circumstances during the process. The project costs had an over expenditure due to budgetary cuts from the exchequer. Development budget was reduced by KES 21,500,000 from KES 48M to KES 26.5M because of lack of exchequer from the National Treasury.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The National Environment Trust Fund (NETFUND) was established by the Environmental Management and Coordination Act (EMCA) 1999, Section 24 “to facilitate research intended to further the requirements of environmental management; capacity building; environmental awards; environmental publications; scholarships; and grants”. A subsequent amendment to EMCA section in June 2015 allowed the organisation to become a State Corporation. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Financial statements for the year ended 30th June 2021 have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) as issued by International Public Sector Accounting Standards Board (IPSASB), the Public Finance Management Act, 2012, Public Audit Act, 2015 and Environment Management and Coordination Act 1999 (Cap 387 of the laws of Kenya)

For the Public Finance Management Act, 2012, Public Audit Act, 2015 and Environment Management and Coordination Act 1999 reporting purposes, in these financial statements the “balance sheet”/ “statement of assets and liabilities” is represented by and is equivalent to the statement of “financial position” and the “profit and loss account”/ “statement of income and expenditure” is presented in the statement of “financial performance.”

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

The accounting policies adopted have been consistently applied to all the years presented and the financial statements are prepared on accrual basis.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2021

| Standard | Impact |
|--|--|
| <p>IPSAS 40:</p> <p>Public Sector Combinations</p> | <p>Applicable: 1st January 2019</p> <p>The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.</p> <p>This standard does not apply to NETFUND</p> |
| <p>IPSAS 41: Financial Instruments</p> | <p>Applicable: 1st January 2022:</p> <p>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.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • 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; • 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>This standard does not apply to NETFUND</p> |

| Standard | Impact |
|----------------------------------|---|
| IPSAS 42: Social Benefits | <p>Applicable: 1st January 2022</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>NETFUND will factor in the application of the Standard on due date</p> |

ii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2021.

General Information

The National Environment Trust Fund (NETFUND) was established by the Environmental Management and Coordination Act (EMCA) 1999, Section 24 “to facilitate research intended to further the requirements of environmental management; capacity building; environmental awards; environmental publications; scholarships; and grants”. A subsequent amendment to EMCA section in June 2015 allowed the organisation to become a State Corporation. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya.

Statement of compliance

The Financial statements for the year ended 30th June 2021 have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) as issued by International Public Sector Accounting Standards Board (IPSASB), the Public Finance Management Act, 2012, Public Audit Act, 2015 and Environment Management and Coordination Act 1999 (Cap 387 of the laws of Kenya)

For the Public Finance Management Act, 2012, Public Audit Act, 2015 and Environment Management and Coordination Act 1999 reporting purposes, in these financial statements the “balance sheet”/ “statement of assets and liabilities” is represented by and is equivalent to the

statement of “financial position” and the “profit and loss account”/ “statement of income and expenditure” is presented in the statement of “financial performance.”

1. Basis of preparation

The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

2. Presentation of financial statements

The financial statements comprise of statement of financial performance, statement of financial position, statement of changes in net assets/equity and the statement of cash flows and the notes to the financial statements.

The Board classifies its expenditure by the nature of expense methodology. The disclosure on risks are presented in the financial risk management objectives and policies.

The statement of cash flows shows the changes in cash and cash equivalents arising during the period from operating, investing and financing activities.

Starting 1st July 2013, National Environment Trust Fund adopted the IPSAS 1 on Presentation of Financial Statements. In previous years the financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs). The change was necessitated by the reporting standards on public entities which are not Government Business Entities (GBE) as defined and required by IPSAS 1- ‘Presentation of Financial Statements’ which states that the scope of application is for ‘all public sector entities other than Government Business Enterprises’.

3. Functional Currencies

(a) Functional and Presentation Currency

The financial statements are presented in the functional currency, Kenya Shillings (Kes.), which is the Board’s presentational currency.

(b) Transactions and Balances

i) Translation of Foreign Currencies

Transactions in foreign currencies during the year are converted into the functional currency using the prevailing exchange rates ruling at the dates of the transactions.

Assets and liabilities denominated in foreign currencies are translated at the mean rates of exchange ruling at the end of the reporting period. The foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are

recognized through the statement of financial performance in the year in which they arise. However, there were no transactions denominated in foreign currencies in the period under review.

ii) Translation of Foreign Operations

The Board does not have any foreign operations

4. Summary of significant accounting policies

1. Revenue recognition

vii) Revenue from non-exchange transactions – IPSAS 23

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the fund and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognized:

Government grants are recognized as income when there is reasonable assurance that the grants will be received and the entity will comply with the conditions attached to them. The grants are recognized as income on a systematic and rational basis over the period necessary to match them with the related costs.

Transfers from foreign governments and 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 Fund and can be measured reliably.

viii) Revenue from exchange transactions – IPSAS 9

Rendering of services

The Fund 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.

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.

2. 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 Fund 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.

Depreciation is calculated using the straight-line method on 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 | 25% |
| Office equipment | 12.5% |

3. Budget information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Fund. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or Fund 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.

4. 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 Fund 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.

5. 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.

ix) Research and development costs

The Fund expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Fund can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

6. Financial instruments – IPSAS 29

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: **Recognition and Measurement** are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Fund determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Fund has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Fund assesses at each reporting date whether there is objective evidence that a financial asset or a Fund of financial assets is impaired. A financial asset or a Fund of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Fund of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a Fund of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Fund determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

IPSAS 29.65

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

- x) Inventories – IPSAS 12

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Fund.

7. Provisions – IPSAS 19

Provisions are recognized when the Fund 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.

Contingent liabilities

The Fund 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 assets

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

8. Nature and purpose of reserves

The Fund creates and maintains reserves in terms of specific requirements.

9. Changes in accounting policies and estimates – IPSAS 3

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

10. Related parties – IPSAS 20

The Fund regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Fund, or vice versa. Members of key management are regarded as related parties. Service concession arrangements – IPSAS 32

The Fund analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Fund recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Fund also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

11. 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.

12. Comparative figures

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

13. Significant judgments and sources of estimation uncertainty – IPSAS 1

The preparation of the Fund's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

State all judgements, estimates and assumptions made: e.g.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Fund

based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

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:

1. The condition of the asset based on the assessment of experts employed by the Fund
2. The nature of the asset, its susceptibility and adaptability to changes in technology and processes
3. The nature of the processes in which the asset is deployed
4. Availability of funding to replace the asset
5. Changes in the market in relation to the asset

Provisions

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

14. 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, 2021.

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5. GOK GRANTS

| | 2021 | 2020 |
|---|--------------------|--------------------|
| | Ksh | Ksh |
| Recurrent | 141,100,000 | 143,100,000 |
| Development | 143,920,000 | 26,500,000 |
| Total revenue | 285,020,000 | 169,600,000 |
| Reconciliation of Development grants | | |
| Balance unspent at beginning of year | - | - |
| Current year receipts | 285,020,000 | - |
| Conditions met- transferred to revenue | 195,403,185 | - |
| Conditions to be met- remain liabilities | 89,616,815 | - |

6. Public contributions and donations

| | 2021 | 2020 |
|-------------------------|------------------|----------------|
| | Ksh | Ksh |
| ZALF | - | 543,300 |
| KEFRI | 150,000 | - |
| TREE PLANTING DONATIONS | 1,760,000 | - |
| Total | 1,910,000 | 543,300 |

7. Transfers from other Government entities

| | 2021 | 2020 |
|--|------------------|----------------|
| | Kshs | Kshs |
| Conditional grants | | |
| Belgium Government-KBF | 1,826,050 | - |
| African Development Bank | - | 540,918 |
| Total grants from other governments | 1,826,050 | 540,918 |
| Reconciliation of conditional grants from other governments | | |
| Balance unspent at the beginning | - | - |
| Current year receipts | - | - |
| Conditions met-Transferred to revenue | - | - |
| Conditions to be met-Liabilities (see note 24) | - | - |

8. Employee Costs

| | 2021 | 2020 |
|---|-------------------|-------------------|
| | Kshs | Kshs |
| Employee related costs – Basic Pay | 45,639,105 | 41,548,860 |
| Employee related costs - Allowances | 23,501,121 | 25,754,890 |
| Employee related costs – Pension contribution & NSSF Employer | 109,400 | 106,000 |
| Employee related costs - Leave allowances | 3,549,200 | 3,541,590 |
| Employee related costs - Gratuity | 3,742,660 | 16,093,723 |
| Employee related costs - NITA Employer expense | 27,350 | 26,600 |
| Total Employee costs | 76,568,835 | 87,071,662 |
| Number of Staff | 36 | 32 |

9. Board of Trustees Expenses

| | 2021 | 2020 |
|---|-------------------|-------------------|
| | Kshs | Kshs |
| Chairman’s Honoraria | 960,000 | 960,000 |
| Sitting Allowances | 3,440,000 | 3,824,000 |
| Travel & Accommodation allowance | 6,023,452 | 7,375,399 |
| Total Board of Trustees Expenses | 10,423,452 | 12,159,399 |

10. Depreciation and amortization expense

| | 2021 | 2020 |
|--|------------------|------------------|
| | Kshs | Kshs |
| Property, plant and equipment | 4,076,904 | 2,370,268 |
| Intangible assets | 725,344 | 727,331 |
| Total depreciation and amortization | 4,802,248 | 3,097,599 |

11. Repairs and maintenance

| | 2021 | 2020 |
|--------------------------------------|------------------|----------------|
| | Kshs | Kshs |
| Computer & Printers | 116,530 | - |
| Equipment | 29,696 | 6,220 |
| Vehicles | 1,214,402 | 340,088 |
| Other | - | 26,100 |
| Total repairs and maintenance | 1,360,628 | 372,408 |

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12. Contracted/Consultancy Services

| | 2021 | 2020 |
|----------------------------------|------------------|------------------|
| | Kshs | Kshs |
| Strategy | 171,000 | 1,191,400 |
| Legal Fees | - | 585,800 |
| Human Resources | - | 1,044,880 |
| ICT Services | 392,953 | 621,023 |
| Other | 547,200 | 295,335 |
| Total contracted services | 1,111,153 | 3,738,438 |

13. Project Costs

| | 2021 | 2020 |
|-----------------------------------|-------------------|-------------------|
| | Kshs | Kshs |
| NETFUND GIA Project | 2,153,357 | - |
| Development grant projects | 14,567,506 | 16,346,681 |
| ACCF Project | 558,528 | 7,126,487 |
| Economic Stimulus Program | 32,871,901 | - |
| Tree planting | 8,191,284 | - |
| Other Project Costs | 228,690 | 788,650 |
| Total grants and subsidies | 58,571,266 | 24,261,818 |

14. General Expenses

| | 2021 | 2020 |
|-------------------------------|-------------------|-------------------|
| | Kshs | Kshs |
| Advertising | 1,099,967 | 968,234 |
| Local Travel | 4,479,372 | 1,978,578 |
| Write off | 42,637 | - |
| Computer Expenses | 2,010,880 | 676,651 |
| Rent and Rates | 10,933,974 | 10,140,300 |
| Utilities | 666,144 | 1,098,428 |
| Catering & Hospitality | 1,453,689 | 1,092,324 |
| Fuel and oil | 1,660,240 | 826,569 |
| Insurance | 11,968,518 | 8,068,608 |
| Internet charges | 685,133 | 1,055,160 |
| Telephone and Postage | 1,197,405 | 1,311,833 |
| Gen Office & stationery | 806,179 | 958,772 |
| Publishing & printing | 110,959 | - |
| Bank charges | 163,276 | 167,636 |
| Corporate Events & CSR | 561,836 | 7,909,342 |
| Training Expenses | 5,533,972 | 1,936,844 |
| Staff Welfare Costs | 1,599,295 | 631,100 |
| Total general expenses | 44,973,478 | 38,820,378 |

15. Cash and cash equivalents

| | 2021 | 2020 |
|--|--------------------|-------------------|
| | Kshs | Kshs |
| Bank | 103,520,525 | 27,520,431 |
| Cash-on-hand and in transit | - | - |
| Short-term deposits | - | - |
| Total cash and cash equivalents | 103,520,525 | 27,520,431 |

15. (a) Detailed Amounts of the Cash and Cash Equivalents

| Financial institution | Account number | 2020-2021 | 2019-2020 |
|---------------------------------------|----------------|--------------------|-------------------|
| | | Kshs | Kshs |
| a) Current account | | | |
| Kenya Commercial Bank-Recurrent A/C | 1119280788 | 134,820 | 8,468,659 |
| Kenya Commercial Bank Development A/C | 1157932495 | 95,136,646 | 4,375,755 |
| Kenya Commercial Bank-GIA/SIDA A/C | 1147263396 | 8,247,181 | 14,113,946 |
| Kenya Commercial Bank-ACCF A/C | 1211283143 | 1,878 | 562,071 |
| Sub- total | | 103,520,525 | 27,520,431 |
| b) Others(specify) | | | |
| Cash in Transit | | - | - |
| Cash in Hand | | - | - |
| Grand total | | 103,520,525 | 27,520,431 |

16. Receivables from exchange transactions

| Current receivables | 2021 | 2020 |
|----------------------------------|------------------|------------------|
| | Kshs | Kshs |
| Staff Debtors | 605,733 | 1,305,747 |
| Other exchange debtors | 1,302,933 | 1,302,933 |
| Less: impairment allowance | - | - |
| Total current receivables | 1,908,666 | 2,608,680 |

| 2021 | 0-3 Months | 3 – 12 Months | Over 12 Months | Total |
|------------------------|------------|------------------|------------------|------------------|
| Staff Debtors | - | 605,733 | - | 605,733 |
| Other Exchange Debtors | - | - | 1,302,933 | 1,302,933 |
| | - | 605,733 | 1,302,933 | 1,908,666 |
| 2020 | 0-3 Months | 3 – 12 Months | Over 12 Months | Total |
| Staff Debtors | - | 1,305,747 | - | 1,305,747 |
| Other Exchange Debtors | - | - | 1,302,933 | 1,302,933 |
| | - | 1,305,747 | 1,302,933 | 2,608,680 |

17. Receivables from Non-Exchange transactions

| | 2021 | 2020 |
|----------------------------------|----------------|------------------|
| | Kshs | Kshs |
| LECREC | 567,880 | 567,880 |
| TREE PLANTING | - | 768,404 |
| Less: impairment allowance | - | - |
| Total current receivables | 567,880 | 1,336,284 |

Other exchange debtors relate to rental security deposit where the Fund has given a guarantee for rent to Tysons Valuers for Kshs 1,302,933 which expired on 31st July 2020. This guarantee covers the obligation to Tyson Valuers of three months' rent. The guarantee was issued by the Trustees' bankers in favor of Tyson Valuers. The guarantee was issued in the normal course of the business.

18. Inventories

| | 2021 | 2020 |
|-------------------------------|----------------|------------------|
| | Kshs | Kshs |
| Consumable stores | 190,502 | 306,835 |
| Other general office supplies | 164,001 | 144,346 |
| Computer Accessories | 430,106 | 1,001,433 |
| Total inventories | 784,609 | 1,452,614 |

19. Work in progress

| | 2021 Ksh. | 2020 Ksh. |
|-------------------------------|--------------|------------------|
| Purchase of Motor Vehicle | - | 6,304,000 |
| Total work in progress | - | 6,304,000 |

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20. Property, plant, and equipment

| Cost | Motor Vehicle | Furniture & Fittings | Computers & Printers | Equipment | Total |
|-----------------------------|-------------------|----------------------|----------------------|------------------|-------------------|
| | Kshs | Kshs | Kshs | Kshs | Kshs |
| At 1 July 2019 | 7,704,720 | 13,806,051 | 10,313,888 | 8,194,406 | 40,019,065 |
| Additions | 129,900 | 320,064 | 151,601 | 690,000 | 1,291,565 |
| Disposals | - | - | - | - | - |
| At 30 June 2020 | 7,834,620 | 14,126,115 | 10,465,489 | 8,884,406 | 41,310,630 |
| Additions | 14,202,637 | 848,800 | 894,000 | 469,790 | 16,415,227 |
| At 30 June 2021 | 22,037,257 | 14,974,915 | 11,359,489 | 9,354,196 | 57,725,857 |
| Depreciation and impairment | | | | | - |
| At 30 June 2019 | 7,704,720 | 8,911,416 | 8,735,968 | 6,409,260 | 31,761,364 |
| Depreciation | 8,008 | 1,167,850 | 744,245 | 450,166 | 2,370,269 |
| Disposals | - | - | - | - | - |
| Impairment | - | - | - | - | - |
| At 1st July 2020 | 7,712,728 | 10,079,266 | 9,480,213 | 6,859,426 | 34,131,633 |
| Depreciation | 1,773,006 | 1,148,155 | 643,350 | 512,393 | 4,076,904 |
| At 30 June 2021 | 9,485,734 | 11,227,421 | 10,123,563 | 7,371,819 | 38,208,537 |
| Net book values | | | | | - |
| At 30 June 2021 | 12,551,523 | 3,747,494 | 1,235,926 | 1,982,377 | 19,517,320 |
| At 30 June 2020 | 121,892 | 4,046,849 | 985,276 | 2,024,980 | 7,178,997 |

21. Intangible Assets

| | |
|--------------------------------------|------------------|
| Cost | |
| At 1 July 2019 | 5,802,751 |
| Additions | - |
| At 30 June 2020 | 5,802,751 |
| Additions | - |
| At 30 June 2021 | 5,802,751 |
| Amortisation & Impairment | |
| At 1 July 2020 | 1,727,982 |
| Amortisation | 727,331 |
| At 30 June 2021 | 2,455,313 |
| Amortisation | 725,344 |
| Impairment Loss | - |
| At 30 June 2021 | 3,180,657 |
| Net Book Values | |
| At 30 June 2021 | 2,622,094 |
| At 30 June 2020 | 3,347,438 |

22. Trade and other Payables

| | 2021 | 2020 |
|---------------------------------------|-------------------|-------------------|
| | Kshs | Kshs |
| Trade Payables | 5,838,166 | 6,304,000 |
| Payments received in Advance-KENIA | 9,460,570 | 8,838,510 |
| Other Payables (PAYE Taxes) | 2,709,085 | - |
| Total Trade and other payables | 18,007,821 | 15,142,510 |

Payables are expected to be settled in NETFUND's normal operating cycle and within 12 months after the reporting period and are not attached to an unconditional right to defer payment of the liability for at least 12 months after the reporting period.

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23. Accrued Staff Gratuity

| | 2021 | 2020 |
|--|----------|-------------------|
| | Ksh | Ksh |
| Accrued gratuity | - | 14,637,652 |
| Total accrued gratuity as at 30.06.2021 | - | 14,637,652 |

24. Deferred Income

| | 2021 | 2020 |
|---------------------------|-------------------|----------|
| | Ksh | Ksh |
| Economic Stimulus Program | 89,616,815 | - |
| Total revenue | 89,616,815 | - |

25. Financial Assets

Exposure to currency, commodity, interest rate, liquidity and credit risk arises in the normal course of the Fund's operations. This note presents information about the Fund's exposure to each of the above risks, policies and processes for measuring and managing risk, and the Fund's management of capital. Further quantitative disclosures are included throughout these financial statements.

Fair values

Set out below, is a comparison by class of the carrying amounts and fair value of the Fund's financial instruments.

| Financial Assets | Carrying Amount | Fair Value |
|---|------------------------|--------------------|
| 2021 | | |
| Receivable from exchange Transactions | 1,908,666 | 1,908,666 |
| Receivable from Non-exchange Transactions | 567,880 | 567,880 |
| Cash and cash equivalents | 103,520,525 | 103,520,525 |
| Total Financial Assets | 105,997,071 | 105,997,071 |
| 2020 | | |
| Receivable from exchange Transactions | 2,608,680 | 2,608,680 |
| Receivable from Non-exchange Transactions | 1,336,284 | 1,336,284 |
| Cash and cash equivalents | 27,520,431 | 27,520,431 |
| Total Financial Assets | 31,465,395 | 31,465,395 |
| Financial Liabilities | Carrying Amount | Fair Value |
| 2021 | | |
| Trade and other payables from Exchange Transactions | 18,007,821 | 18,007,821 |
| Deferred Income | 89,616,815 | 89,616,815 |
| Total Financial Liabilities | 107,624,636 | 107,624,636 |
| 2020 | | |
| Trade and other payables from Exchange Transactions | 15,142,510 | 15,142,510 |
| Total Financial Liabilities | 15,142,510 | 15,142,510 |

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.

Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

(c) Financial risk management objectives

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and the effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The management has drafted a risk management policy that guides the management of the risks affecting NETFUND.

(d) Credit risk

NETFUND's credit risk is primarily attributable to its liquid funds with financial institutions, deposits and prepayments made for provision. The credit risk on the liquid funds with financial institutions is low because the counter parties are banks with high credit-ratings. The deposits and prepayments are fully performing as FUND continues to enjoy the services secured by these balances. The default rate is low.

(e) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board members, who have built an appropriate liquidity risk management framework for the management of the fund's short, medium and long-term funding and liquidity management requirements. Liquidity risk is the risk of the Fund not being able to meet its obligations as they fall due. The Fund's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund ensures that it has sufficient cash on demand to meet expected operating expenses through the use of cash flow forecasts.

(f) Market risk management

NETFUND takes on exposure to market risk, which is the risk that changes in market prices, such as interest rate and foreign exchange rates will affect NETFUND's surplus or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. Monitoring of market risk is done by management in conjunction with the Board of Trustees.

Market risk exposures are measured by the use of sensitivity analyses. The market risk exposure for the NETFUND relates primarily to currency risk.

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Interest rate risk

NETFUND is exposed to interest rate risk due to fluctuations in interest rates on the bank balances that it holds.

Capital Risk Management

NETFUND manages its funds to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and fund balance. The capital structure of NETFUND consists of capital reserve and accumulated surplus.

26. Related Party Disclosure

| 2021 | Basic Pay | Allowances | Total |
|-------------------------------|------------------|------------------|-------------------|
| Designation | | | |
| Chief Executive Officer | 4,445,960 | 1,698,374 | 6,144,334 |
| Director Business Development | 495,400 | 240,000 | 735,400 |
| Director Research | 100,000 | 43,820 | 143,820 |
| Finance Manager | 2,476,800 | 792,000 | 3,268,800 |
| Total | 7,518,160 | 2,774,194 | 10,292,354 |
| 2020 | Basic Pay | Allowances | Total |
| Designation | | | |
| Chief Executive Officer | - | - | - |
| Ag. Chief Executive Officer | 2,531,520 | 2,599,728 | 5,131,248 |
| Director Technical Services | 2,427,120 | 1,920,000 | 4,347,120 |
| Finance Manager | 2,228,040 | 792,000 | 3,020,040 |
| Total | 7,186,680 | 5,311,728 | 12,498,408 |

| | 2020-2021 | 2019-2020 |
|---|-------------------|-------------------|
| | Kshs | Kshs |
| Transactions with related parties | | |
| a) Sales to related parties | | |
| Sales of electricity to Govt agencies | - | - |
| Rent Income from govt. agencies | - | - |
| Water sales to Govt. agencies | - | - |
| Others (Specify) e.g. Interest and Bank charges | - | - |
| Total | - | - |
| b) Purchases from related parties | | |
| Purchases of electricity from KPLC | 666,144 | 588,418 |
| Purchase of water from govt service providers | - | - |
| Rent expenses paid to govt agencies | 10,933,974 | 10,140,300 |
| Training and conference fees paid to govt. agencies | 870,400 | 686,200 |
| Total | 12,470,519 | 11,414,918 |
| b) Grants /Transfers from the Government | | |
| Grants from National Govt | 156,100,000 | 169,600,000 |

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| | | |
|--|--------------------|--------------------|
| Grants from County Government | - | - |
| Donations in kind | 1,976,050 | 1,084,218 |
| Total | 158,076,050 | 170,684,218 |
| c) Expenses incurred on behalf of related party | | |
| Payments of salaries and wages for 36 employees | 76,568,835 | 87,071,662 |
| Payments for goods and services | 44,973,478 | 38,820,378 |
| Total | 121,542,313 | 125,892,040 |
| d) Key management compensation | | |
| Directors' emoluments | 10,423,452 | 12,159,399 |
| Total | 10,423,452 | 12,159,399 |

27. Cash Generated from Operations

| | 2021 | 2020 |
|---|-------------------|------------------|
| | Kshs | Kshs |
| Surplus for the year before tax | 1,328,176 | 1,162,515 |
| Adjusted for: | - | 177 |
| Depreciation | 4,802,248 | 3,097,599 |
| Loss on Disposal | - | - |
| Working capital adjustments: | | |
| Decrease in inventory | 668,005 | (95,822) |
| Decrease in receivables | 1,468,418 | 861,528 |
| Decrease in deferred income | - | - |
| Increase in payables | 92,482,126 | 10,629,692 |
| Decrease in provisions | (14,637,652) | (162,348) |
| Increase in prepayments | - | - |
| Decrease in work in progress | 6,304,000 | (6,304,000) |
| Net cash flows from operating activities | 92,415,321 | 9,189,341 |

Legal Matters

The fund did not have any outstanding legal matter that would have exposed it to potential liability in the previous year.

28. Commitments; Operating Lease Rentals

| Non-Cancellable operating lease rentals are payable as follows: | 2021 | 2020 |
|---|-------------------|-------------------|
| | Ksh | Ksh |
| Not later than One year | 4,417,984 | 4,417,984 |
| Later than One year | 8,016,174 | 8,016,174 |
| Total | 12,434,158 | 12,434,158 |

The Fund has leased office premises under an operating lease. The lease typically runs for 6 years with an option for renewal. Lease payments are increased accordingly to reflect market rentals. The Fund does not

have an option to purchase the leased asset at the expiry of the lease period. There are no contingent rents recognized in the Statement of Financial Performance.

29. Fair Value

The Board of Trustees consider that there is no material difference between the fair value and carrying value of the company's financial assets and liabilities, where fair value details have not been presented.

30. Capital Commitments

All capital commitments contracted for/authorized at the reporting period end have been recognized in the financial statements.

31. Events after the reporting period

The Board of Trustees are not aware of any matter or circumstances arising since the end of the financial year, not otherwise dealt with in the financial statements, which would significantly affect the financial position of National Environment Trust Fund and results of its operation as laid out in these financial statements.

32. Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation of the Financial Statements as required by International Public Sector Accounting Standards and any amendment whenever necessary in the current year.

33. Currency

The financial statements are presented in Kenya Shillings.

APPENDIX I. PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners

| Project title | Project Number | Donor | Period/ duration | Donor commitment | Separate donor reporting required as per the donor agreement (Yes/No) |
|--------------------------------|----------------|-------|------------------|------------------|---|
| 1. Green Innovation Awards | | GOK | 8 Years | 40 Million | No |
| 2. African Climate Change Fund | | AFDB | 4 Years | 56 Million | No |

Status of Projects Completion

| | Project title | Total project Cost | Total expended to date | Completion % to date | Budget | Actual per quarter | Sources |
|---|-----------------------------|--------------------|------------------------|----------------------|------------|--------------------|-----------|
| 1 | Green Innovation Awards | 40 Million | 20 Million | 50% | 40 Million | | GOK |
| 2 | African Climate Change Fund | 63 Million | 63 Million | 100% | 63 Million | | AFDB& GOK |