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REPORT

THE NATIONAL ASSEMBLY
PAPER NO. 1410

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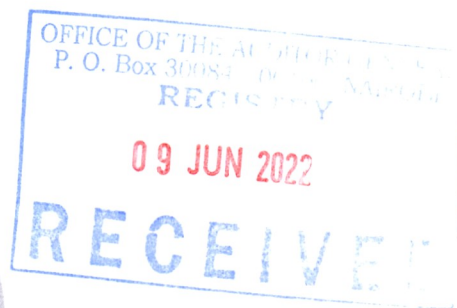
TABLED BY: Deputy Majority Leader
CLERK-AT-THE-TABLE: F. MURUKU

THE AUDITOR-GENERAL

ON

**NATIONAL ENVIRONMENT MANAGEMENT
AUTHORITY**

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



nema
mazingira yetu | uhai wetu | wajibu wetu

NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

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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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

(b) Principal Activities

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

(c) Key Management

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

No.	Name	Designation/ Area of responsibility
1	Mr.Mamo B. Mamo, BSC, MSC	Director General
2	CPA Kennedy Ochuka, B.Com, MBA, CPA (K)	Director Finance and Administration
3	Ms. Irene Kamunge, LLB, LLM	Director Legal Services
4	Mr. David Ongare, BSC, MSC.	Director Compliance and Enforcement

(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	Director General	Mr. Mamo B. Mamo, BSc, MSc
2	Director Finance and Administration	CPA Kennedy Ochuka, B.Com, MBA, CPA (K)
3	Director Legal Services	Ms. Irene Kamunge, LLB, LLM
4	Director Compliance and Enforcement	Mr. David Ongare, BSc, MSc

(e) Fiduciary Oversight Arrangements

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

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

Finance and Human Resource Committee

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

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

Audit, Governance and Risk Management Committee

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

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For the financial year ended June 30, 2021***

(f) Headquarters

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

(g) Authority's Contacts

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

(h) Authority's Bankers

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

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

II. THE BOARD OF DIRECTORS

 <p>Mr. John Konchellah</p>	<p>Chairman</p> <p>Mr. Konchellah holds a Bachelor of Commerce Degree in Banking from Poona University in India and a Master's degree in Business Administration (Strategic and Marketing Management) from Daystar University. He is also a Fellow of the Kenya Institute of Bankers and a Certified Public Practitioner on Financial Management (CPPFM), London. He has over twenty six (26) years of corporate management experience in banking industry rising through the career to the position of General Manager. Mr. Konchellah served as the Principal Secretary in the Ministry of Devolution and Planning where he was instrumental in establishment of devolution structures and costing of the functions in the forty seven (47) Counties; resettling of the Internally Displaced Persons (IDPs) from the camps; and chaired evacuation committee for Kenyans stranded in South Sudan. As the Principal Secretary in the Ministry of East Africa Affairs and Trade, he chaired the committee of EAC, COMESA and SADC which led to the formation of the tripartite agreement signed in Egypt. He was instrumental in retaining the monetary treaty of EAC. He was born in 1962 and joined the Board in 2017. His term was renewed in 2020.</p>
 <p>Prof. Peninah Aloo-Obudho</p>	<p>Vice Chairperson</p> <p>Peninah Aloo-Obudho is a professor in Fisheries Ecology and Aquatic Sciences at Karatina University. She is currently the Deputy Vice-Chancellor in charge of Academics, Research and Student Affairs (ARSA) at Karatina University in Nyeri County. She is the former Chairman of the Kenya Marine and Fisheries Research Institute (KMFRI), having served as a board member in the same institute. She started university administrative career at Kenyatta University where she served for over 20 years. She rose through the ranks in the same institution from acting Head of Department of Zoology, Head of the Department of Zoology, Head of Department of Biological Sciences and Director of Centre for Career Development. She joined the Board in June 2018. She left the Board in May 2021 on the expiry of her term.</p>
 <p>Mr. Mamo B. Mamo</p>	<p>Director General</p> <p>Mr. Mamo holds a Master of Science degree in Environmental Education from Kenyatta University and Bachelor of Science degree in Agricultural Education & Extension from Egerton University. He is an Alumni of the International Leadership Development Programme (IVLP) – USA (2013). Previously he was serving as Deputy Director in charge of Environmental Education, Information and Public Participation in the Authority. He was appointed the Acting Director General in July 2019 and confirmed as the Director General on 13th August 2020. He was born in 1973 and joined the Board in July 2019.</p>



Dr. Chris K. Kiptoo

Principal Secretary, Ministry of Environment and Forestry:

Dr. Chris K. Kiptoo is the Principal Secretary, Ministry of Environment and Forestry. He has previously served as the Principal Secretary, State Department for Trade in the Ministry of Industry, Trade and Cooperatives. Before his appointment as Principal Secretary Trade, Dr. Kiptoo worked for three years at TradeMark East Africa (TMEA) as the Kenya Country Director.



Dr. Julius Muia

Principal Secretary, National Treasury.

Dr. Muia is the Principal Secretary at The National Treasury. Prior to his appointment, he was the Principal Secretary at the State Department for Planning – The National Treasury and Planning. Before his appointment as PS Planning, he was the Director General, Vision 2030 Delivery Secretariat which operated under the Office of the President to facilitate the implementation of Vision 2030. He holds Bachelor of Commerce degree in accounting from University of Nairobi; master's degree and PhD in Finance from the same university. His professional qualifications include Certified Public Accountant (CPA-K and Certified Public Secretary (CPS-K).



Hon. Justice (Rtd) Paul Kariuki

Attorney General.

Hon. Justice (Rtd) Paul Kariuki is the Attorney General of the Republic of Kenya. Previously, He served as President of the Court of Appeal of Kenya from 2013 to 2018, Director of the Judiciary Training Institute, Judge of the High Court of Kenya, and Principal and CEO of the Kenya School of Law. Justice (Rtd) Kihara attained his Bachelor of Laws (LLB) degree from the University of Nairobi and holds a Post Graduate Diploma in Law from the Kenya School of Law. He was born in 1954.



Dr. Kisa Juma Ngeiywa

Board Member:

Dr. Ngeiywa possesses Master of Science degree in Veterinary Clinical Studies and a Bachelor of Veterinary Medicine degree. He is an independent registered veterinary surgeon with vast experience in livestock value chains. Since 1985 he rose in public service ranks from Veterinary Officer, Senior Veterinary Laboratory Investigation Officer, Assistant Director of Veterinary Services, and Deputy Director of Veterinary Services to Director of Veterinary Services in 2013. He was the Kenyan OIE Delegate; a board member of various parastatals; President of Kenya Veterinary Association; Chairman Kenya Camel Association. He was conferred The Order of the Grand Warrior (OGW) of Kenya in 2013 and received the inaugural Public Servant of the Year Award (PSOYA) 2015. He was born in 1957 and joined the Board in 2018. He left the Board in May 2021 on the expiry of his term.



Ms. Teresia Malokwe

Board Member:

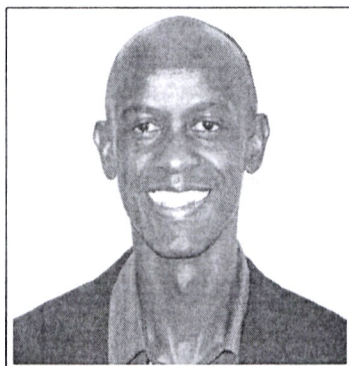
Ms. Teresia Malokwe holds a master’s Degree in Health Economics and Policy from University of Nairobi and Bachelor of Science (Environmental Health) from Kenyatta University. She was born in 1985 and joined the Board in June 2018. She left the Board in May 2021 on the expiry of her term.



Prof. Barnabas Njiru Mitaru

Board Member:

Prof. Mitaru holds a PhD in Animal Nutrition from University of Saskatchewan, a Master of Science degree in Animal Production from University of Nairobi and a Bachelor of Science in Agriculture from the same University. He is currently a professor of animal production and has previously worked as associate professor, adjunct professor, senior lecturer and lecturer at the University of Nairobi. He also worked as Deputy Director Institute of Dry Land Research and Regional Coordinator Eastern and Central Regional Sorghum and Millet Network. He was born in 1949 and joined the Board in April 2015. He left the Board in May 2021 on the expiry of his term.



Hon. Neto Agostinho

Board Member:

Neto Agostinho holds a Bachelor of Law degree from the University of Nairobi, and Master in International Relations degree from United States International University. He is a former Member of Parliament in Kenya. Neto has a special interest in Human Rights and international Relations. He participates in various Human Rights related activities that range from equality to Economic Social Cultural rights. Neto serves as an expert Human Rights Resource person, and has trained parliamentarians in the South East Asia region (Sri-Lanka), the Parliamentarians in the Pacific (Tonga), Parliamentarians in Africa (Ghana) and the Parliament of Georgia on the role of parliamentarians in promoting and protecting Human Rights. He participated as an expert in Geneva, Switzerland to help draw recommendations for Human Rights Council on child early and forced marriages in November 2016. He has also participated as an expert at the World Refugee Council session in Daresaalam Tanzania in 2018 to help highlight durable solutions for Refugees in Horn of Africa. Neto Currently is the co- leader of the United Green Movement, a political Party which amongst other things, seeks to help realize, civil, political economic, social cultural and Brotherhood Rights in Kenya. He was born in 1975 and joined the Board in June 2018. He left the Board in May 2021 on the expiry of his term.



Hon. Halima Ware

Board Member:

Ms. Halima Ware worked as a teacher and high school principal for ten years with her last working years spent in various positions in the provincial administration where she started off as a District Officer and rising to the position of a Senior District Officer by the time she resigned to join politics. As a County Member of Parliament, she has successfully ensured she enlightens women, most of whom have low literacy levels on business management and self-image as well as their rights as Muslims and citizens. She was born in 1959 and joined the Board in June 2018. She left the Board in May 2021 on the expiry of her term.



CPA Isabella Kogei

Board Member (National Treasury representative):

CPA Isabella Kogei is an Assistant Director of Budget. She represents the Principal Secretary, The National Treasury at the Board, having joined in December, 2019. She holds a Bachelor of Commerce (Accounting) and Master of Science (Finance) degrees from Kenyatta University; she is currently pursuing a Doctor of Philosophy (Finance) degree from the same University. Professionally, CPA Isabella Kogei is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and the Institute of Internal Auditors (IIA). CPA Isabella has vast experience in finance and accounting in both public and private sectors. She has performed roles in finance and administration and contributed to organizational resource planning, financial reporting and management at strategic level. CPA Isabella is currently in charge of Parliamentary Business at The National Treasury. She was born in 1983 and joined the Board in December 2019.



Mr. Alex Mbuvi

Board Member (Attorney General representative):

Mr. Mbuvi is a Deputy Chief State Counsel in the Legal Advisory Division at the Office of the Attorney General and Department of Justice. He holds Bachelor of Law degree and a post graduate Diploma in law. He is the Alternate to the Attorney General. He was born in 1975 and joined the Board in August 2013.



Ms. Annie Syombua


Board Member (Principal Secretary Ministry of Environment and Forestry representative):


Ms. Annie Syombua represents the Principal Secretary of Environment and Forestry at the Board. She is an advocate of the High Court of Kenya. She was born in 1975 and joined the Board in July 2019.

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 <p>Charles Mulila</p>	<p>Public and private sector Governance expert with over 23 years experience. Media, Corporate and Strategic Communications Practitioner, Editorial Consultant, Community Affairs coach, Government Relations and policy expert. Public Relations professional. Member of the Media Council of Kenya (MCK), Public Relations Society of Kenya (PRSK). Served in the board of Kenya Broadcasting Corporation (KBC), National Industrial Training Authority (NITA), Radio Thome (Community Radio owned by the Catholic Diocese of Kitui) and the Kenya Union Of Journalists (KUJ). Was appointed to the Board on 28th October 2021.</p>
 <p>Shanu B. Abudho</p>	<p>Shanu B. Abudho is an advocacy and Governance expert with over 15 years experience in community service. She is the founding director of Chalbi Scholars Organization, a grass root organization that support needy girls and boys access high school education. She has previously served as a climate change champion in Marsabit and other northern frontier districts in partnership with an NGO called Pastoralist Integrated Support Program. She is the Chair of Finance and Human Resources Committee of the Board. Was appointed to the Board on 28th October 2021.</p>
 <p>Samson Nyangeso</p>	<p>Samson Nyangeso is a governance and public sector leader with over 25 years experience. He has served as Chairman of Kenya National Library Services, Director of KBC, Mayor of Kisii County and Chairman of the Association of Local Government employers (ALGAE). Was appointed to the Board on 28th October 2021.</p>
 <p>Dr. Lul Abdiwahid</p>	<p>Dr. Lul Abdiwahid is an Advocate of the High Court of Kenya. She holds an Honorary Doctorate Degree in Humanities from the University Graduate College and Seminary, USA, Masters In International Economics Law LLM from the University of Warwick UK, a Bachelor of Law LLB from the University of Kent in Canterbury, UK and Post Graduate Diploma from the Kenya School of Law, Nairobi. Lul is a World Civility Ambassador and has served at the Standards Tribunal for a term of five years, she is an Associate Member of Federation of Women Lawyers in Kenya (FIDA) and Chartered Institute of Arbitrators (CIARB Kenya). She is also the Chairperson of Pure Pearl Foundation and Swahilipot Hub which are non governmental organizations serving the youth, women and vulnerable societies in Kenya. Was appointed to the Board on 28th October, 2021 and is currently the Ag. Board Chairperson.</p>
 <p>Jeremiah Motari Matunda</p>	<p>J. Motari Matunda is an advocate of the High Court of Kenya and currently working at the Office of the Attorney General as Principal State Counsel. He holds a Bachelor of Social laws (BSL) and Bachelor of Law (LLB) Master of Laws (LLM) in International Environmental Law) from the University of Nairobi. Post graduate diploma in Corporate Governance. Post graduate diploma from Kenya school of law (KSL), Senior management course (SMC) and strategic leadership training program (SLDP) from the Kenya school of government-lower Kabete. Was appointed to the Board on 4th January 2022.</p>

III. MANAGEMENT TEAM

<p>1</p>	 <p>Mr. Mamo B. Mamo</p>	<p>Director General:</p> <p>Mr. Mamo holds a Bachelor of Science degree in Agricultural Education & Extension from Egerton University and a Master of Science degree in Environmental Education from Kenyatta University. He is an Alumni of the International Leadership Development Programme (IVLP) – USA (2013).</p> <p>Mr. Mamo was appointed the Acting Director General in July 2019, Previously he was serving as Deputy Director in charge of Environmental Education, Information and Public Participation in the Authority. He was appointed substantively as the Director General on 13th August 2020.</p>
<p>2</p>	 <p>CPA Kennedy Ochuka</p>	<p>Director Finance and Administration:</p> <p>CPA Ochuka holds a Master of Business Administration (Finance) and Bachelor of Commerce (Accounting) from the University of Nairobi. He is also a Certified Public Accountant of Kenya and a member of the Institute of Certified Public Accountant of Kenya.</p> <p>He has previously worked as Finance Manager at Water Services Trust Fund and General Manager Finance at National Water Conservation and Pipeline Corporation on secondment. He joined the Authority in his current position in 2012.</p>
<p>3</p>	 <p>Ms. Irene Kamunge</p>	<p>Director Legal Services:</p> <p>Irene holds a Master of Law in Environment and Natural Resources and a Bachelor of Law from the University of Nairobi. She also holds a diploma in Law from Kenya School of Law and is an advocate of the High Court.</p> <p>She has previously worked as Vice Chairperson and Joint Secretary of Task Force Drafting Legislation on Implementing Land Use, Environment and Natural Resource Provision in the Constitution of Kenya. She has also worked as Legal Officer in the Education Department, Ethics and Anti-Corruption Commission; Researcher at Commission of Inquiry into Illegal /regular Allocation of Public Land (Ndungu Commission) and Legal Officer, Ecumenical Centre for Justice and Peace. She was appointed as the Director Legal Services in 2015.</p>

4	 <p>Mr. David Ongare</p>	<p>Director Compliance and Enforcement:</p> <p>Ongare holds Master of Science in Biology and a Bachelor's degree in Education (Science) from Egerton University.</p> <p>He has worked as Deputy Director in charge of Environment Education and Information in the Authority. He has as well worked in various fields, including lecturing/ teaching Biology and rose through the ranks to become head of a school and examiner for the Kenya National Examination Council (KNEC). He was appointed the Director Compliance and Enforcement in 2015.</p>
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IV. CHAIRMAN'S STATEMENT

Dear esteemed Stakeholders,

It is my honour and pleasure to present to you NEMA's Annual Report and Financial Statements for the year ended 30th June 2021 which shows that the Authority remained stable despite the adverse effects brought about by the COVID-19 pandemic. We remained resilient in our operations and ensured that our environment is safeguarded and sustainably managed across the country. The pandemic presented unique environmental challenges which had not been experienced in the country before. We however were able to respond to these emerging environmental issues and put in place policies and guidelines for managing these issues.

The global economy is projected to grow by 6.0 % in 2021 from a contraction of 3.3 % in 2020. The economic growth in Sub-Saharan Africa region is estimated to expand by 3.4% in 2021 from a contraction of 1.9 % in 2020. Kenya's economic growth is expected to rebound to 6.6% in 2021 from an estimated growth of 0.6% in 2020 as per the National treasury projections. We envision that the natural environment will be impacted positively and regenerate post Covid period with the rebound of the Kenya economy. We expect more Resource allocation to the environment agenda will be prioritized.

Financial performance

During the financial year, the Authority realized revenues amounting to KES. 1.83 billion which was an increase of 11% on KES 1.65 billion raised the previous year. Exchequer allocations amounted to KES. 1.26 billion and constituted to 69% of the annual revenues. The Authority has plans to diversify its revenues streams in order to boost the revenue base and reduce the over reliance on the Treasury exchequer. The Authority collected KES 319.6 million in Appropriations in Aid (AIA) compared to 176.1 million in the previous year. The Authority realized a net surplus of KES 13.9 million.

Our Commitment

The Board commits to ensure the Authority delivers her tasks in accordance with the strategic plan and will support management to achieve the overall goal set out in Article 42 of the Constitution of Kenya 2010, to ensure every person has the right to a clean and healthy environment. This goal will be achieved by supporting NEMA management to leverage on strategic partnerships and build synergies with other government lead agencies and partners for the management and coordination of environment in the country.

The Board will continue to provide policy direction ensuring the Authority delivers on its mandate and promotes environmental stewardship, professionalism, integrity, innovativeness, customer focus and teamwork. During the financial year the Authority entered into agreement with Global Environmental Facility to finance Africa Environmental Health Pollution Management Programme at a cost of USD 8.3 million for a five year period. This Programme will be coordinated by the World Bank.

During the year under review, the terms of six Board members came to an end. It is my expectation that they will be reappointed back to the board to steer the Authority's performance to greater levels.

Operations

To enhance Environmental regulations and standards the Authority trained sixty five key stakeholders comprising of ELC Judges, magistrates and officers of the Office of Director of public prosecutions on the environmental laws and regulations on plastic ban. A total of 1,464 inspections of regulated facilities were undertaken across the country and reports prepared. The Authority undertook Investigations and prosecution of Environmental crimes and a total of 135 civil and 35 criminal cases were prosecuted.

To ensure the attainment of sustainable development goals 3 and 6 on good health and wellbeing, and clean water and sanitation respectively we undertook enforcement of environmental laws and regulations. The Authority processed and issued 4,529 environmental Licenses comprising of 3,127 ELA Licenses and 1,402 for Effluent Discharge Licenses. We up scaled our enforcement actions on the ban on plastic bags. In 2017, we banned plastic carrier bags in Kenya which was globally recognized as one of the best practices that the country has undertaken.

During the year we mapped out 100 discharge points along Nairobi River and clamped down on facilities that were discharging untreated effluent into Nairobi River. More than thirty factories were affected in the exercise. In order to domesticate Multi-lateral Environmental Agreements (MEA) and to implement our international obligations under MEAs we successfully commemorated World Wetlands Day, World Day to Combat Desertification, Clean-up the World Day, and World Environment Day.

We strived to strengthen our service delivery mandate by reorganizing the organization internally so as to attain effectiveness and make the Authority fit for purpose. We reviewed the organizational structure which was approved by the relevant government authorities. The implementation of the same is currently ongoing. During the year, we continued to embrace partnership with County governments for sustainable development and implementation of devolved environmental functions. We collaborated closely with other government departments and lead agencies in which made us realize the impressive results we achieved despite the COVID-19 pandemic.

Challenges

Inadequate funding coupled with low staffing levels possess the greatest threat to the achievement of our mandate. Low implementation of devolved environmental functions together with inadequate infrastructure also hampers our operations. Looking into the future, we see opportunities as well as new challenges that the Authority must deal with. We face many uncertainties as the COVID-19 pandemic continues to unfold.

Corporate Governance

My Board has continued to put in place policies and strategies that endeavour to steer the Authority to greater heights in environmental coordination and management. To strengthen the regulatory framework for Environmental Management, the Authority reviewed EMCA, 1999 in the year. The Controlled Substances

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Regulations have also been reviewed with input from key stakeholders and forwarded to the Cabinet Secretary for further action.

Towards strengthening environmental governance, the Authority trained 60 officers from 19 counties on Basic Enforcement Course (BEC). The gazettelement of the 100 trained officers will go a long way to support the Authority's countywide enforcement actions. To improve quality of environment, the State of Environment report for financial year 2019/21 was developed.

The future and Conclusion

Although the Kenyan economy is expected to rebound in the financial year 2021/2022, full recovery is not assured due to possible future COVID-19 waves, delays in vaccination, increasing debt levels and rising inflation pressures. These factors if not timely addressed will negatively impact on the government's prioritization of the environmental conservation and protection agenda.

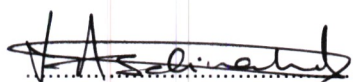
We expect the outlook of year 2021 to be reinforced by the prevailing stable macroeconomic environment, the ongoing implementation of Medium- Term III of Vision 2030, the "Big Four" Agenda and Key projects to support post Covid Economic recovery strategy.

We remain optimistic in the measures that have been put in place and being undertaken by the Government to spur economic growth which will in turn support the conservation and protection of the environment.

With all your support the Board will continue to provide policy direction in ensuring that the Authority delivers on its mandate and ensures that every citizen has access to a clean, healthy and sustainable environment.

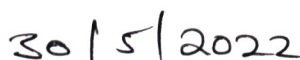
Appreciation

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



Dr. Lul Abdiwahid

AG. Chairman



Date

Nairobi

V. REPORT OF THE DIRECTOR GENERAL

It is my privilege to present annual report and financial statement of the National Environment Management Authority for the fiscal year ended 30th June 2021. The financial reports include the statement of financial performance, statement of financial position, statement of changes in net assets, statement of cash flows, statement of comparison of budget and actual, and notes to the financial statements. Despite the global Covid19 pandemic the Authority resiliently continued to pursue its mandate of ensuring sustainable management of the environment by supervising and coordinating environmental matters and being the principal instrument of Government of Kenya in the implementation of all policies relating to the environment in Kenya as entrenched in Environmental Management and Co-ordination Act 1999 (EMCA 1999) and Article 42 of the Constitution of Kenya.

OPERATIONS

The operations of the authority in the fiscal year 2020/2021 were marked with the new norm of working from home and online meetings due to the Covid19 pandemic which persisted through most of the reporting period. The absorption of funds, especially donor funds was slowed down by Covid19 related lockdowns and curfews which were inevitable throughout the fiscal year. Nevertheless, we still managed to undertake most of the critical activities which were planned for the reporting period. In our role of enforcement of environmental legislation and standards, we prosecuted 135 civil and 35 criminal cases countywide. In addition, we received, classified and responded to 212 environmental incidents through our environmental Incident Management Unit (IMU). We realize the important role the judiciary plays in the enforcement of environment laws and have always partnered closely with them. In the financial year we organised training for 65 Environment and Land Court magistrates to educate them on environment and land issues as well as to unpack environmental law. It is our intention to continue with this partnership into the foreseeable future.

EMCA (1999) mandates us to undertake compliance and enforcement of environmental regulations. We were able to inspect and prepare reports for 1464 regulated facilities. The environment licencing regime was automated and we implemented online payment and receipting system on the E-citizen platform in order to enhance transparent and speedy processing of the various licenses we issue. We also updated the inventory of the facilities we regulate, mapped the facilities and categorized them into various risk classes in all the counties. These improvements to enhance efficiency enabled us to process 1402 EDL licenses to various regulated facilities.

To enhance environmental quality protection and conservation, we prepared the State of Environment (SoE) report for 2019/2021. The SoE report is an important tool for documenting timely, accurate and relevant information on various facets of the country's environment in order to ensure their sustainable use. More specifically, it provides a basis for efforts to restore environmental integrity and to identify and respond to emerging environmental challenges such as climate change.

To strengthen the regulatory framework for Environmental Management, during the year, we concluded the review of EMCA (1999) and are in the process of organizing a stakeholder workshop before the draft is forwarded to Cabinet Secretary for further action. Sand harvesting regulations and air quality regulations were drafted and are awaiting stakeholder engagement which will be undertaken during the next financial year.

We realize the important role urban rivers play in the management of urban areas in the country. We continued with the implementation of the pollution control strategy for Nairobi River Basin by identifying and stopping waste sources polluting the river. We conducted inspections along Motoine river that drains into Ngong river, at Hipo dam and its two tributaries that drains into Athi river in the Nairobi National Park. -and along Kirichwa Kubwa river. During the

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inspections, 207 structures were marked for demolition and a few residents willingly removed structures along the riparian area.

In the year ended 30th June 2021, we joined the international community in celebrating the World Wetland Day, the World Desertification Day and the World Environment Day. We also worked closely with other agencies in the Ministry of Environment and Forestry towards achieving the President's target of 10% minimum forest cover by 2022. To this effect and through we planted tree seedlings in all the 47 counties.

The world's natural ecosystems are under increasing pressure to provide an expanding population with a sustainable supply of food, fibre, fuel, etc. Preservation or management of natural resources is essential for maintaining community sustainability. Towards promoting sustainable natural resource utilization, we have continued to build capacity of MCDAs on Environmental sustainability and undertook monitoring of the National Environmental Action Plan (NEAP) in Lamu County. We continue to give special attention to air quality as air pollution is today a leading threat to global health. In particular, we continued to monitor air quality in Nairobi, Mombasa and Kisumu. In addition, we developed the concept of automatic Air Quality Monitoring System for Kenya which will monitor and analyze air quality in real-time and log data to a remote server, keeping the data updated over the internet.

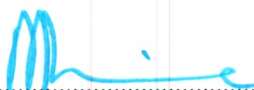
We are passionate towards the conservation and management of aquatic and terrestrial ecosystems and the following activities have were finalized and respective reports written pending public participation: riparian mapping for Sosian, Kisat, Ewaso Nyiro and Nzoia rivers, assessing water quality in Athi and Tana River Basins, development of management plans for Kilele, and Kisima wetlands in Samburu, reclamation and restoration of Ondiri swamp in Kiambu and Enapuiyapui swamp in Mau. Further, riparian mapping of Mara River was started and is expected to be completed in the next financial year.

To improve environmental enforcement actions throughout the country, we trained 60 officers from 19 counties on Basic Enforcement Course (BEC). These county officers will supplement the enforcement work of the Authority.

Financial Performance

The allocations received from the exchequer as recurrent disbursements was KES 1.154 billion. We collected KES 319 million as Appropriation in Aid from licensing. This was an increase of 80% over the KES 176 million collected previous year. We realised a revenue of KES 244 million from development partners, mainly through Adaptation Fund board, Danida through Green Growth and Employment Program (GGEP) and Green Climate Fund GCF. The Authority intends to maintain and deepen these partnerships and bring in more development partners.

The Authority's expenses were KES 1.817 billion. This represents 10 % increase from last years of KES 1.657 billion. Staff costs still remain the major cost component accounting for 56% of total expenses.



Mr. Mamo B. Mamo
Director General



Date
Nairobi

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VI. STATEMENT OF NEMA'S PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

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

NEMA has 6 strategic pillars and 22 objectives within its Strategic Plan for the FY 2019/2020- 2023/2024. These strategic pillars are as follows:

- Pillar 1: Environmental Quality Protection and Conservation
- Pillar 2: Ecological Integrity of Ecosystems
- Pillar 3: Climate change
- Pillar 4: Environmental Governance & Coordination
- Pillar 5: Green economy for Sustainable Development
- Pillar 6: Institutional Capacity

NEMA develops its annual work plans based on the above 6 pillars. Assessment of the Authority's performance against its annual work plan is done on a quarterly basis. The Authority achieved the following performance targets set for the FY 2020/2021 period for its 6 strategic pillars, as indicated in the table below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Environmental Quality Protection and Conservation	To improve quality of environment	State of Environment Report	Prepare National State of Environment (SoE) Report for 2019/21	Prepared SE report for 2019/21
		No. of best practices disseminated	Document and disseminate best practices from the Kenya Environmental Performance Index (e.g. fact sheets)	Best practices documented and disseminated during the World Environment Day
		% of cases prosecuted & defended	Enforce environmental legislations and standards	135 civil and 35 criminal cases prosecuted
		Response to environmental incidents	Operations support for the Incidents Management Unit	212 No. of Environmental incidents received and classified
		No. of Inspection reports	Undertake inspection of regulated facilities	1464 inspections undertaken and reports prepared
		% of Targeted Judges & magistrates trained	Training of ELC judges, magistrates and ODPP on Environmental law/regulations and plastic ban	Training of ELC Magistrates held with 65 participants attending
		% completion	Finalize review of EMCA, 1999	EMCA, 1999 reviewed
		Timeliness	Finalize Controlled Substances Regulations, 2007 and submit to the Cabinet Secretary Ministry of Environment and Forestry	Finalized the Controlled Substances Regulations, 2007 and submitted to the Cabinet Secretary
		Activity reports	Implement the pollution control strategy for Nairobi River Basin in the identification and stoppage of pollution sources	Inspections along Motoine river that drains into Ngong river -Inspections at Hippo dam and its two tributaries that drains into Athi river in the Nairobi National Park. -Inspections along Kirichwa Kubwa

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
				river) 207 structures marked for demolition. A few residents willingly removed structures along the riparian area. Forceful removal of structures might not be feasible unless they are led by the Ministry of Interior and national coordination.
		No. of licenses issued	Processing of various licensing regimes	Total licences issued 4529 <ul style="list-style-type: none"> • 3127 EIA licences processed • 1402 EDL processed for regulated facilities
		Operational licencing centre	Operations support of the digitized integrated licensing center as one stop shop for all Environmental licensing regimes at NEMA HQ	Installation of QMS system at block C Licensing center completed and operationalized
		No of facilities Audited	Undertaking countrywide Environmental Audits	109 Control audits done in six Counties by the HQs team:
		Plastic ban enforced countrywide	Enforcement of the Plastic Ban in 47 Counties	463 Enforcement actions across the 47 Counties undertaken on the ban on plastic carrier bags
		% of facilities mapped and categorized	Undertake inventory, mapping and risk categorization of regulated facilities at county	Regulated facilities database updated regularly with all new data that streamed from field
		No. of Dumpsites mapped	Undertake mapping of dumpsites in 4 major urban areas (Nairobi, Mombasa, Kisumu, Eldoret)	Mapping of Dumpsites undertaken for 4 major urban areas (Nairobi, Mombasa, Kisumu, Eldoret)
	To promote sustainable natural resource utilization	No. of monitoring reports	Under take monitoring of NEAP	Monitoring undertaken in Lamu
		No. of MCDAs trained and with operational Env. Policies/ Action Plans	Training of MCDAs	23 MCDAs trained on Environmental sustainability
		% of Quarterly MCDA Reports analysed	Review quarterly Environmental sustainability reports	73 Quarterly reports on environmental sustainability reviewed and feedback to the Agencies
	To promote public behavioral change in environmental management	No. of Information, Communication and Education (IEC) materials developed/collated and disseminated	Develop and disseminate Information, Communication and Education (IEC) materials	IEC materials developed o Covid-19 waste management, Clean up the World and Nairobi river

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
		No. of exhibitions	Undertake environmental awareness campaigns through exhibitions during ASK shows, Sector based meetings and at Green Points	Undertook a NEMA Sector Based Exhibition during the World Wetlands Day 2021 National celebrations in Kilifi Samburu County on
		No. of sectors trained on environmental management	Train various sectors in environmental management	Trained Competition Authority of Kenya on Waste regulations and biodiversity
		No. of Officers and counties trained on BEC	Train 72 officers from 36 Counties on Basic Enforcement Course (BEC	Trained 60 officers from 19 counties. Due to Covid-19 protocols the target was not achieved
		No. of compliance promotion programs undertaken	Undertake Compliance promotion programs for industries	Cleaner production recruitment and training of industry in Ruaraka undertaken with Kenya National Cleaner Production Centre (KNPCPC)
Pillar 2: Ecological Integrity of Ecosystems	To promote conservation and management of aquatic and terrestrial ecosystems	No. of riparian wetland mapped	Undertake riparian mapping for Sosian, Kisat, Ewaso Nyiro and Nzoia rivers	Riparian mapping for Sosian, Ewaso Nyiro and Nzoia rivers undertaken
		Assessment reports	Assess water quality in Athi and Tana River Basins	Water quality in Athi and Nzoia was assessed
		No. of lead agencies coordination forums	Develop management plans for Kilele, and Kisima wetlands in Samburu	Stakeholder consultative meetings held in Maralal
		No. of sites established	Establish demonstration sites on reclamation of Chalbi Desert in Marsabit County	2 sites identified for demonstration in the 2nd quarter at Kargi health Centre & Korolle Oasis 5,000 trees planted, 5 plastic tanks for water harvesting donated
		No. of environmental management plans developed	Finalize the Lake Ol Bolasat, Ewaso Narok wetland, Sio Siteko Wetland	Lake Ol Bolasat, Ewaso Narok wetland, Sio Siteko Wetland Management Plans finalized
		No. of wetlands reclaimed and restored	Reclaim and restore 2 wetlands (Ondiri swamp in Kiambu and Enapuiyapui swamp in Mau)	Restoration activities ongoing in both wetlands; Fencing, tree seedling planting and provision of sanitary facilities To continue reclamation in the FY 21/22
	To Promote Conservation and Management of Environmentally Significant Areas	Inventory report of identified ESA	Identify and Inventorize ESAs	This is consultancy service and consultant as visited Taita Taveta and Embu ESAs and draft inventory report submitted

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
	To restore selected degraded aquatic and terrestrial ecosystems	No. of degraded water bodies inventoried	Undertake and inventory of water bodies in Laikipia and Isiolo Counties	Inventory undertaken
		No. of alternative livelihoods initiatives promoted	Promote alternative livelihoods to ease pressure from wetlands	Alternative livelihoods initiated and promoted including mangrove seedling growing and ecotourism promotion
Pillar 3: Climate Change	To support reduction and monitoring of Green House Gases (GHG) emissions	No. of regulatory framework developed	Develop and enforce regulatory regime for greenhouse gases	Held workshop to initiate development of GHG Framework - industry guidelines
		No. of reports submitted to Climate Change Council	Implement sector based GHG reporting frameworks	Procedure for undertaking reporting done during meeting of stakeholders
	Integrate climate risk and vulnerability assessment into all forms of assessment	No. of assessments supported	Establish climate risk and vulnerability assessment procedures	Procedure for mainstreaming CRVA assessments (SEA and EIA) developed
	To mobilize and deploy climate Finance	No. of workshops/ meetings/ trainings/ Consultancy/report	GCF Project Preparation Facility (PPF)Support: Develop devolved climate change governance in target counties	Consultancies awarded for full proposal development, EMSF, Gender analysis and capacity assessment of potential implementing entities
		No of reports	Monitoring and Evaluation of AF program implementation for 9 Executing Entities	9 Adaption Fund Executing Entities were monitored
	Support implementation of CCA, NAP, NDC, NCCAP	No of air quality monitoring reports	Undertake air quality monitoring in Nairobi, Mombasa, Kisumu	Air quality monitoring undertaken for Nairobi, Mombasa and Kisumu
Concept on AAQMS		Develop Concept on Automatic Air Quality Monitoring System for Kenya	Concept on Automatic Air quality Monitoring System developed	
Pillar 4: Environmental Governance & Coordination	To Strengthen the Regulatory Framework for Environmental Management	No. of Legislations reviewed	Development of Sand Harvesting regulations	Sand harvesting regulations were drafted
		CEC Manual/Guidelines developed & published	Finalize the development, review and validation, and publication of CEC Operational Manual/Guidelines	CEC operational manual validated with CoG with support UNDP, awaiting printing
		No. of CEAPs Drafts	Provide technical backstopping to counties to develop CEAPs - Support Tana River and Lamu counties CEAPs development	Lamu & Tana River draft CEAPs done following technical backstopping
		No of MEAs Supported	Perform international Obligations under MEAs - Commemorate World Environment Days (WWD, WOD, WDCD, Clean-up the	World Wetlands Day, World Oceans Day, World Day to Combat Desertification, Clean-up the World Day, and World

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
			World Day, and World Environment Day)	Environment Day were commemorated. 67,000 trees were also planted
	To Promote Synergy in Management of Environmental Functions	Framework developed	Develop a governance and coordination framework for various stakeholders including MCDAs	Draft MCDAs Engagement Framework for coordination and supervision of environmental matters developed
Pillar 5: Green economy for Sustainable Development	To promote sustainable blue economy	No. of reports	Coordinate environmental activities implemented by stakeholders under Integrated Coastal Zone Management Plan	ICZM steering committee meeting held
		Inventory of coastal, marine and inland water resources	Inventorize coastal, marine and inland water resources to determine status of water quality, quantity and biodiversity	Not held due to budget cuts
		Action plan prepared	Prepare Marine/Aquatic Litter Action Plan	Marine/Aquatic Litter Action Plan prepared
		No. of water bodies monitored	Monitor pollution patterns in water bodies including marine litter and marine plastics waste -Ewaso Nyiro, and Nzoia River	Pollution tracking undertaken
	To promote green economy	% of industries adopting cleaner production	Promote cleaner production approaches to industry for reduction of waste generation at source	Cleaner production audit undertaken in 10 industries within the Nairobi City County with emphasis on water conservation, wastewater treatment, water pollution prevention within the Nairobi River basin
		No. of EPRs developed Printing strategy	Develop and implement Extended Producers Responsibility (EPR) for sustainable management of emerging waste streams including plastic and E-waste	Undertook a (FoC) - PET monitoring activity at the Coast Region with the Ministry of Environment and Forestry and Kenya Association of Manufacturers
		No. of Documentaries; Printed materials; digital materials	GGEP lessons documenting - Documentary; Printed materials; digital materials.	Documentary and awareness materials developed and disseminated at various Green Points
		No. of stakeholders engaged	Promote innovations in waste recycling and reuse to stakeholders	Held a site visit and virtual preparatory meeting to train 20 ToTs from Joy Divine Gives Back CBO in Mlango Kubwa Ward, Mathare Sub-County on

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
				Waste Recycling for street families
Pillar 6: Institutional Capacity	To Strengthen Corporate Governance	Board activities facilitated/Minutes of meetings	Facilitate Board meetings /Activities	Board meetings and activities held as planned
	To Enhance NEMA's Corporate Image	No of Media engagements	Undertake integrated media campaigns on environment management activities including plastics	29 media campaigns undertaken including social media
		No. of publications published	Develop and print NEMA magazine, Corporate profile brochure	Quarterly NEMA magazine published and disseminated
		No. of branded merchandise	Produce branded merchandise	Branded machine procured. Note books, Diaries, Pens and bags
		No. of CSR activities undertakes	Implement CSR identified activities	Supported and participated in the Nyeri Hospice Golf tournament
		Perception index	Undertake perception survey	Perception Index 56.7%
	To Strengthen Human Capital	Staff skills inventory report	Undertake skills inventory	Skills inventory undertaken
		TNA report	Undertake training Needs Assessment	Training needs assessment undertaken
		No. /%. of staff trained & developed	Train Staff	130 staff members trained in various courses (EIA, SMC, SLDP, Principles of compliance). 2 staff members were also recruited
		Appraisal reports	Undertake performance appraisal	Appraisals for 2019/20 undertaken
		Approved Performance Contract and quarterly reports and work plans	Coordinate Performance Contract, reporting and work planning	Performance contract workplace and quarterly report prepared
		M and E reports	Monitor and Evaluate Authority operations	Monitored and evaluated compliance to waste water treatment conditions in Nyeri Meru and Embu towns sewerage treatment works and status of conservation of site that hosted World Wetland Day (WWD 2018) in Nyandarua County (L .Ol Bolossat)
		Level of implementation	Cross cutting policies mainstreamed (Gender, ADA, HIV&AIDS, Disability and National Cohesion and values, road safety, corruption reduction	Implemented the cross cutting issues to ensure compliance with statutory requirements

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
	To enhance Financial sustainability of the Authority	Financial and Audit reports	Adhere to the Public Financial Management Act 2015 (PFM Act 2015) and best financial management practices	Financial and Audit reports prepared as per the PFM Act, 2015
		Supply Chain Management Reports	-Strengthen procurement process -Implement the procurement plan	Quarterly report prepared and submitted to relevant agencies and reported to the Board
		No. of Project proposals funded	Develop bankable project proposals	5 bankable project proposals developed and 3 were funded
	To enhance Service Delivery	Centre of Excellence constructed	Construct Centres of Excellence in Siaya and Marsabit	Contracts awarded and construction ongoing
		Implementation Reports	Review, print (40) and Implement Service Charter	Service charter reviewed and printed
		Licenses Renewal - BREP, Teammate, GIS, Q-Pulse, Antivirus and Firewall License Renewal, Web hosting, SharePoint Support (Licensing &KMS)	Modernize and Upgrade ICT/GIS Infrastructure	All licenses renewed
		No. of laptops and printers procured	Procurement of laptops and printers	5 Laptops and 10 printers procured and distributed
	Risk Management	Audit reports	Plan and conduct Compliance, Financial and Systems audit in 30 Counties	30 Counties Audited

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

VII. CORPORATE GOVERNANCE STATEMENT

Establishment and composition of the board:

The Board of Management for the National Environment Management Authority (NEMA) is established under the Environmental Management and Co-ordination Act (EMCA), 1999. The board is made up of five independent non-executive directors who consist of a Chairperson appointed by the President for a period of four years; and five directors representing various government departments. The directors representing various government departments are the Principal Secretary Ministry of Environment and Forestry, the Principal Secretary the National Treasury, the Attorney General, and the Director General.

In considering nominations for appointment to the Board, gender and diversity of experience is taken into consideration. Professional qualifications of Board members is further provided for in EMCA, 1999 that stipulates that no person shall be appointed to the Board, unless such person holds at least a post-graduate degree from a recognized university in the field of environmental law, environmental science or natural resource management or a relevant social science and in the case of the Director-General, has at least fifteen years' working experience in the relevant field.

The Board exercises strategic leadership, enterprise, integrity and judgement in managing the Authority. The Directors are provided with full, appropriate and timely information that enables them to maintain full and effective control over the strategic planning, financial, operational and compliance issues.

The day-to-day running of the operations of the Authority is delegated to the Director General whilst the Board of Management is responsible for establishing and maintaining the Authority's system of internal controls for the realization of the Authority's mandate.

All members of the Board of Management are taken through a comprehensive induction programme and adequately trained on their roles through various corporate governance trainings. The Directors are professionals, committed and guided by the Mwongozo code of governance for state corporations and the Authority's mission, vision and core values in the execution of their duties. At the end of each financial year, the Board, its Committees, individual directors and the Director General conduct a self-evaluation under the coordination of an independent body against targets agreed to at the beginning of the year.

Board Committees

Board Committees attending to specific matters assist the Board in its work. The Committees report to and remain accountable to the Board for all their activities. The main function of Board Committees is to reinforce the wholeness of the Board's responsibility.

The Board has four standing committees that meet at least once per quarter and work under the terms of reference set by the Board. The Board reviews the membership of all the Committees on a regular basis.

Finance and Human Resource Committee

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

The Committee reviews quarterly financial, human resource and procurement reports and recommends to the Board ways of raising and utilizing the Authority's funds and human resources and the establishment of systems and procedures for efficient financial management.

The Committee advises the Board on NEMA's human resource policies and guidelines that include the scheme of establishment and career progression and terms and conditions of service for the staff of the Authority.

The following were the members of the Committee:

- a) Dr. Kisa Juma Ngeiywa - Chairperson
- b) Ms. Annie Syombua
- c) Ms. Teresia Malokwe
- d) Hon. Halima Ware Duri
- e) Ms. Isabela Kogei

Audit, Governance and Risk Management Committee

The committee assists the Board in the oversight of integrity of financial reporting and monitoring effectiveness of internal control systems and risk management. The committee also monitors good corporate governance practices and overseas ethical behaviour and compliance with the legal and regulation framework.

The following were the members of the Committee:

- a) Hon. Agostinho Neto – Chairman
- b) Prof. Peninah Aloo-Obudho
- c) Mr. Alex Mbuvi
- d) Prof. Barnabas Mitaru
- e) Ms. Isabela Kogei

Environmental Management and Conservation Technical Committee

The Committee is charged with determining NEMA's vision, mission, values and providing strategic direction of the Authority. The Committee reviews policies on environment management and conservation, channelling research findings, communication, and management of compliance, enforcement policies and procedures, management of legal and legislative issues, advice on environmental impact assessment and audit policies and processes.

The following were the members of the Committee:

- a) Ms. Teresia Malokwe - Chairperson
- b) Prof. Peninah Aloo-Obudho
- c) Hon. Halima Ware Duri
- d) Dr. Kisa Juma Ngeiywa
- e) Ms. Annie Syombua

Strategy, Legal and Resource Mobilization Committee

The scope of this Committee includes coming up with NEMA's Strategy, Governance and Resource mobilization.

The following were the members of the Committee:

- a) Prof. Barnabas Mitaru – Chairman
- b) Mr. Alex Mbuvi
- c) Hon. Agostinho Neto
- d) Ms. Isabela Kogei
- e) Ms. Teresia Malokwe
- f) Ms. Annie Syombua

Board Meetings

The table below is a summary of the meetings which were held by the Board and Committees in the period under review.

Summary of Board and Committee meetings 2020-21 FY				
Name	Ordinary Meetings	Special Meetings	Other Meetings	Total Meetings
Board of Management	4	3	2	9
Finance and Human Resources	5	4		9
Audit, Governance and Risk Management	4	1		5
Environmental Management and Conservation Technical Committee	3	3		6
Strategy, legal and Resource Mobilization Committee	4	1		5

Full board meetings

During the year, the Board of Directors held a total of 9 meetings outlined as follows, 4 ordinary full board meetings, 3 special board meetings and 2 adhoc committee meetings.

Full Board meetings 2020-21 FY				
Board Members	Ordinary	Special	Adhoc committee	Grand Total
John Konchellah	4	3	1	8
Neto Agostinho	4	2	2	8
Teresia M. Malokwe	4	3	2	9
Hon. Halima Ware	4	3		7
Prof. B. N. Mitaru	4	3	2	9
Dr. Kisa Juma Ngeiywa	4	3	1	8
Anne Syombua	3	3		6
Isaac O. Odiek	3	1		4
Prof. P. Aloo-obudho	3	3	1	7
Alex Mbuvi	2	3		5
Cpa. Isabella Kogei	4	3		7

The Audit, Governance and Risk Management Committee of the Board of directors

The committee held a total of 5 meetings with 4 ordinary committee meetings and 1 special meeting as detailed in table below.

Audit, Governance and Risk Management Committee Meetings 2020-21 FY			
Members	Ordinary	Special	Grand Total
Neto Agostinho	4	1	5
Prof. P. Aloo-obudho	4	1	5
Alex Mbuvi	4	1	5
Prof. B. N. Mitaru	4	1	5
Cpa.Isabella Kogei	4	1	5
Isaac O. Odiek	3		3

Environmental Management and Conservation Technical Committee (EMCTC) meetings

In the Financial Year 2020-19, the Technical Committee of the Board of management held 6 meetings in total consisting of 3 ordinary meetings of the committee and 3 special meetings as tabulated below.

EM&CTC meetings 2020-21 FY			
Members	Ordinary	Special	Grand Total
Teresia M. Malokwe	3	3	6
Prof. P. Aloo-obudho	3	3	6
Dr. Kisa Juma Ngeiywa	2	3	5
Hon. Halima Ware	3	3	6
Anne Syombua	2	3	5

The Finance and Human Resource Committee

During the Financial Year, 2020-21 the Finance and HR committee exercised its financial oversight role by holding 9 meetings in total. The breakdown of the meetings is as follows, 5 Ordinary meetings and 4 special committee meetings.

Finance and Human Resource Committee meetings 2020-21 FY			
Members	Ordinary	Special	Grand Total
Dr. Kisa Juma Ngeiywa	5	4	9
Teresia M. Malokwe	5	4	9
Hon. Halima Ware	5	4	9
Anne Syombua	5	4	9
Cpa.Isabella Kogei	5	4	9
Isaac O. Odiek	3		3

The Strategy, Legal and Resource Mobilization Committee of the Board of Directors

A total of 5 meetings of the committee were held during the 2020-21 financial year. In summary, 4 ordinary meetings and 1 special committee meeting were held.

Strategy, legal and resource mobilization committee meetings 2020-21 FY			
Members	Ordinary	Special	Grand Total
Prof. B. N. Mitaru	4	1	5
Neto Agostinho	4	1	5
Teresia M. Malokwe	3	1	4
Anne Syombua	3	1	4
Alex Mbuvi	4	1	5
Cpa.Isabella Kogei	4		4
Isaac O. Odiek	1		1

Recruitment of the Director General

The term of the previous the Director General, Prof. Geoffrey Wahungu expired in April 2020. Mr. Mamo Boru was competitively recruited by the Board and subsequently appointed by the Cabinet Secretary, Ministry of Environment and Forestry in August 2020.

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 the NEMA's strategy and ensuring best practice of corporate governance.

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

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

On a quarterly basis, the Board considers reports from each Board Committee. 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 Directors in good time before the meeting.

Board effectiveness

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

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

The Board has a Board Charter to facilitate its governance system. Each Board member has signed the Charter.

Director's remuneration

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

Statement of Compliance

The Board of Directors confirms that National Environment Management Authority has throughout the 2020/2021 financial year complied with the entire Statutory and Regulatory requirement and that the Authority has been managed in accordance with the principles of Corporate Governance.

Internal control and risk management:

Internal Control

The Directors are responsible for reviewing the effectiveness of the Authority's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposition 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 Authority has a Code of Ethics and Service Charter that is applicable to all employees. These are two of a number of Standing Instructions to employees of the Authority designed to enhance internal control. The Authority has also designed a set of standing instructions to be followed in the management of various functions in the organization.

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 Authority can meet its future management requirements.

Strategic Plan

The business of the Authority is determined by the Strategic Plan. The Strategic Plan sets out the objectives of the Authority, and the annual targets to be met to attain those objectives. The Strategic Plan is evaluated annually to assess the achievement of those objectives. The Board on an annual basis approves the work

plan supported by the financial plan for the year. Progress against the plan is monitored on a quarterly basis.

Internal Control Framework

The Authority 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 on-going basis. A risk-based audit plan, which provides assurance over key business processes and operational and financial risks facing the Authority, is approved by the Audit Committee.

The Audit Committee considers significant control matters raised by management and both the internal and external auditors and reports its findings to the Board. Where weaknesses are identified, the Audit Committee ensures that management takes appropriate action. No significant control failures or weaknesses were identified during 2019/2020.

Risk Management

The Authority has a structure and process to help identify, assess and manage risks. The process was in place for the period up to the time this report was approved. This team reviews all the risks in the Authority and updates the risk register and ensures that all new and emerging risks are appropriately evaluated and any further actions identified. The identified risks are reported to the Audit Committee to assist the Board in the management of risk.

Management Team

The management team headed by the Director General 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. Such policies developed include the Anti-corruption policy, Disability, Gender and HIV mainstreaming, the ICT policy, among others.

VIII. MANAGEMENT DISCUSSION AND ANALYSIS

Operational Performance

The NEMA Strategic Plan sets out NEMA's vision, mission, goals and objective to ensure achievement of positive outcomes for our environment. The plan provides a road map for NEMA to achieve its mandate of ensuring a clean and health environment for all. We hope to propel the Authority to greater heights in environmental management. My Board has continued to put in place policies and strategies that endeavour to steer the Authority to greater heights in environmental coordination and management. To Strengthen the Regulatory Framework for Environmental Management, the Authority finalized the review of EMCA, 1999 and presented it to the Cabinet Secretary Ministry of Environment and Forestry for further processing. The Controlled Substances Regulations have also been finalized and submitted to the Cabinet Secretary. Sand harvesting regulations were drafted awaiting stakeholder engagement which will be undertaken in the next financial year. To improve quality of environment, the Draft State of Environment for FY 2019/21 has also been prepared.

In this financial year, the Authority operationalized the environmental incident management unit which coordinates responses to environmental cases reported to the institution through the set out channels. During the year, 212 environmental incidents were received, classified and responded to. The authority is mandated to undertake compliance and enforcement of the environmental regulations in place. In the financial year under review, 1464 regulated facilities were inspected and reports prepared for the same. We further processed 1402 effluent discharge licenses for regulated facilities. This was enabled by developing and regular updating of an inventory and mapping and risk categorization of regulated facilities database in all counties. EIA licences totalling 3,127 were processed.

To boost prosecution of environmental offences, we organised training for Environment and Land Court magistrates to educate them on environment and land issues as well as unpack the law and practice for the magistrate. 65 magistrates participated in the training.

Air pollution is one of the biggest threats to global health today. As the world experiences global warming, increase in population and industrial growth which continue to pump out dirty emissions, this coupled with the ever increasing vehicular emissions the air continues to be polluted on a daily basis. The situation is exacerbated by the fact that half the world has no access to clean fuels or technologies (e.g. stoves, lamps). This has far reaching implications on health, environment, and the future of human society. To this end, we continued to monitor air quality in Nairobi, Mombasa and Kisumu. A Concept on Automatic Air Quality Monitoring System for Kenya was developed which intends to monitor and analyze air quality in real-time and log data to a remote server, keeping the data updated over the internet.

To promote conservation and management of aquatic and terrestrial ecosystems, we undertook the following activities:

- Riparian mapping for Sosian, Kisat, Ewaso Nyiro and Nzoi rivers
- Assessed water quality in Athi and Tana River Basins

- Stakeholder consultative meetings held in Maralal towards Develop management plans for Kilele, and Kisima wetlands in Samburu
- Reclaimed and restored 2 wetlands (Ondiri swamp in Kiambu and Enapuiyapui swamp in Mau) where Restoration activities are ongoing in both wetlands; Fencing, tree seedling planting and provision of sanitary facilities
- Promoted alternative livelihoods to ease pressure from wetlands where alternative livelihoods were initiated and promoted including mangrove seedling growing and ecotourism promotion

Financial Performance

The allocations received from the exchequer as recurrent disbursements decreased from KES 1.18 billion to KES 1.154 billion this was a decrease of 2%. The allocations received from the exchequer as development disbursements was KES 66.5 million. KES 110.5 million was recognised as the income for the current year the difference due to deferred development income recognised.

The Authority was able to collect KES 319 million as Appropriation in Aid from licensing. This was an increase of 81 % over the KES 176 million collected previous year.

The development partners disbursed KES 257 million. The Authority's expenses were KES 1.817 billion. This represents 10 % increase from last years of KES 1.657 billion.

Key Projects

In the financial year, NEMA Continued to implement the Green Growth and Employment Project with support from DANIDA, this project ended on 30th June 2021.

NEMA is undertaking the "Integrated Programme to Build Resilience to Climate Change; Adaptive Capacity of Vulnerable Communities in Kenya" under United Nations Framework Climate Change Convention (UNFCCC). The project sponsor is The Adaptation Fund Board. The overall objective of the programme is to enhance resilience and adaptive capacity to climate change for selected communities in various Counties in Kenya in order to increase food security and environmental management. The project also has 3 Executing Entities (EEs) and 8 Sub-Executing Entities (Sub-EEs). During the year, the Authority undertook most construction projects under this programme after centralization of the procurement process at NEMA. The Authority finalized the establishment of a Licensing Centre at the Head office. The centre is a one – stop-shop for all. The Authority started construction of Siaya and Marsabit County green points through the Development Grant – Centre of Excellence.

Entity's compliance with statutory requirements

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

Risk Management

The Authority has a structure and process to help identify, assess and manage risks. The process was in place for the period. This team reviews all the risks in the Authority and updates the risk register and ensures that all new and emerging risks are appropriately evaluated and any further actions identified. The identified risks are reported to the Audit Committee to assist the Board in the management of risk.

Major risks facing the entity

In execution of its mandate the Authority faces various risks key among them Inadequate financial resources, Un-optimal structure to support execution of NEMA mandate, Lack of prioritization of environmental matters by policy makers, Reputational damage of NEMA emanating from a perceived lack of adequate awareness on environmental laws, Remedial environmental, political and economic risks from past litigation cases, Weak compliance with the framework for Environmental Governance in Kenya, Reputational damage due to external fraudsters, exposure to cyber security threats, Health and Safety risks of compliance and enforcement staff.

Material arrears in statutory/financial obligations

There were statutory obligations at year end of **KES 34.7 million**.

IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

i) Sustainability strategy and profile

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

ii) Environmental performance

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

Policy Objectives

- Guide NEMA in mainstreaming Environmental sustainability into its operations
- Customize internal operation of the Authority in order to reduce its Carbon footprints and to contribute to greening NEMA.
- Assist NEMA to mobilize its departments to review their ISO standards operating procedures (SOP), tools and instruments and introduce elements that enhances environmental sustainability and climate change compliant
- Assist NEMA to examine their tools, instruments of engagement with the partners, stakeholders and regulated constituencies in order to integrate aspects that demonstrate environmental sustainability and climate change compliance

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

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

Purpose and Objectives of the KEPI

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

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

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

Other milestones the Authority has made in environmental sustainability include;

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

Challenges

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

iii) Employee welfare

NEMA has human resource policies and procedures manual which guides on the recruitment process from vacancy identification to new hire induction. The policy takes into account the gender, women and disability

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

iv) Market place practices

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

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

v) Corporate Social Responsibility / Community Engagements

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

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

- Donated colour coded waste bins to institutions in Narok County, Launch of Nyari green space – 7 pieces and International Day for Biological Diversity in Kajiado County
- Supported the communities in Kilifi, Garissa and Marsabit counties with tree seedlings during the World environment days. The Authority also supported other tree planting initiatives in a bid to restore the country's water towers e.g. Mau Forest.
- The authority also donated water tanks and water harvesting structures to selected institutions in Narok, Kilifi, Garissa and Marsabit counties during the world environment days.
- Supported and participated in the Nyeri Hospice Golf tournament

X. REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 30th June 2021, which disclose the state of affairs of the Authority.

Principal activities

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

Results for the year

The results for the year ended June 30, 2021 are set out in page 1.

Directors

The members of the Board of Directors who served during the year are shown on page V-VIII. During the year Six directors retired and none was appointed.

Surplus Remission

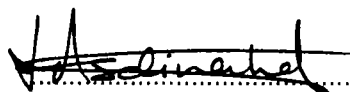
In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into the Consolidated Fund, ninety per centum of its surplus funds reported in the Audited Financial Statements after end of each Financial year. The Authority paid KES 32.38 million to Kenya Revenue Authority being the 90% of the surplus reported in the interim financial statements for financial year 2019/2020. However, after the adjustments in the revenue recognition, the Authority has a deficit of 1.946 Million.

In the current financial year 2020/2021 although the Authority has reported a surplus in the interim financial statements of KES 13.967 million. The surplus payable of KES 12.570 is not payable since there was an overpayment of KES 32.38 million in the financial year 2019/2020.

Auditors

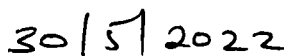
The Auditor-General is responsible for the statutory audit of the Authority in accordance with Article 229 of the constitution of Kenya and the Public Audit Act, 2015. The Auditor General continues in office in accordance with the constitution of Kenya.

FOR AND ON BEHALF OF THE BOARD OF MANAGEMENT.



Dr. Lul Abdiwahid

Ag. Chairman



Date

Nairobi

*National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2021*

XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2021. These responsibilities include:

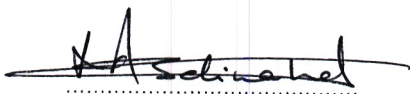
- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- (iii) Designing, implementing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

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2021, and of the entity's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the entity will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Authority's financial statements were approved by the Board on ²⁴...../9/2021 and signed on its behalf by:


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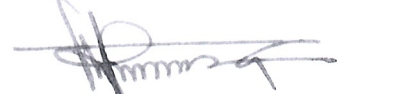
Dr. Lul Abdiwahid
Ag. Chairman

Date: 30/5/2022


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Mr. Mamo B. Mamo
Director General

Date: 30/05/2022

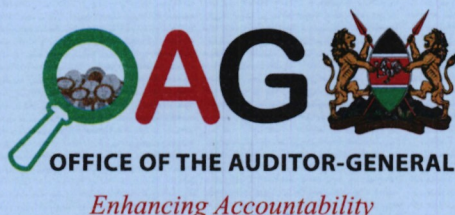

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CPA. Kennedy Ochuka
Director Corporate Services

Date: 30/05/2022

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
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P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY 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 Management Authority set out on pages 1 to 33, which comprise the statement of financial

position as at 30 June, 2021, statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects the financial position of the National Environment Management Authority as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with Environment Management and Co-ordination (Amendment) Act, 2015 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 Management Authority 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

Unresolved Prior Year Issues

In the audit report of the previous year, several issues were raised in the Report on Financial Statements and Effectiveness of Internal Controls and Risk Management. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board and the National Treasury Circular Ref. AG.4/16/2 Vo.3(72) dated 30 June, 2021 on Revised Annual Reporting Templates.

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 matters described in the Basis for Conclusion on Lawfulness and

Effectiveness in Use of Public Resources sections of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Fully Depreciated Assets

Included in the statement of financial position as at 30 June, 2021 is property, plant and equipment and intangible Assets balances of Kshs.376,593,000 and Kshs.8,888,000 respectively. However, review of the supporting asset register revealed that fixed assets costing a total of Kshs.118,163,000 were fully depreciated and intangible assets costing a total of Kshs.6,600,000 were fully amortized. Management had not reviewed of the useful life of these assets as requires IPSAS 17 Paragraph 67 on Property, Plant and Equipment.

Consequently, it was not possible to confirm the benefits being realized of these property, plant, equipment and intangible assets that have been fully depreciated.

2. Failure to Collect Environmental Impact Assessment Expert License Fees

Report generated from the licensing system indicate total billings for expert licences of Kshs.12,114,000 for the year ended 30 June, 2021. However, the Authority did not collect fees from license applicants in line with fifth schedule of the Environmental (Impact Assessment and Audit) Regulations, 2003 which provides for fees for Environmental Impact Assessment (EIA) expert license. Although Management has attributed the failure to Circular Ref.OP/CAB.58/4A of November, 2016 on scrapping and harmonization of registration and enforcement in the construction industry, the directives were for levies charged on project developers.

In addition, information available indicates that the Authority requires EIA expert license applicants to be vetted first by the Environment Institute of Kenya, a requirement which is not in the EIA Regulations and or the organization gazetted as an authorized profession regulator.

Consequently, the Authority failed to collect public revenue in line with Regulation 64(1)(a) of the Public Finance Management (National Government) Regulations, 2015 which provides for prompt collection and accounting for government revenue by the Accounting Officers.

3. Failure to Adopt E-Procurement

During the year under review, the management undertook various procurements including construction, purchase of motor vehicles, consultancies and supply of goods and services among others. The procurements were manually processed despite NEMA having Navision ERP Web-based system which has a procurement module. The failure to adopt the E-procurement was contrary to Executive Order No.6 of 06 March, 2015 and The National Treasury Circular No.6/2015, which directed all public entities to migrate to E-procurement by June, 2015.

4. Board Expenses

4.1 Irregular Board Meetings and Expenditure Beyond the Recommended Threshold

During the year under review, the Board held seven (7) sittings at a total cost of Kshs.5,706,967 and which were not in the 2020/2021 financial year approved Board's work plan. This was contrary to the Head of Public Service Circular Ref.OP/CAB.9/1A dated 11 March, 2020 which requires all Board of Directors to submit their annual plan to State Corporations Advisory Council by 30 June of each year. In addition, the Board held six (6) special meetings at a total cost of Kshs.1,619,402 without evidence of approval by the Cabinet Secretary as required by the circular.

Further, the Board expenditure of Kshs.29,455,000 exceeded 5% of operations and maintenance budget of Kshs.20,230,950 by an amount of Kshs.9,224,050 contrary to the circular which capped board expenditure at a lower of Kshs.30 million or 5% of operations and maintenance budget.

In the circumstances, the Board was in breach of the directives.

4.2 The Board Engaging in Management Functions

Included in the Board expenditure totalling Kshs.29,455,000 is an amount of Kshs.6,021,214 which relates to sitting allowance, mileage and daily subsistence allowance paid to Board Members for field inspection visits contrary to Chapter 1.22 of Mwongozo Code of Governance for State Corporations.

Consequently, the Board may have usurped Management functions.

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 matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of Effective Controls on License Papers

During the year under review, the Authority contracted firms to supply license papers. However, audit review of the suppliers' records and licensing process revealed the following issues:

- (i) Suppliers engaged during the period were general stationery suppliers instead of approved security documents printing firms based on the sensitivity of the licenses.
- (ii) The orders were issued to various suppliers instead of contracting one reputable firm at a time, to avoid production of counterfeit licenses.
- (iii) The printing method adopted did not use secure printing stencils or printing plates to control the risk of duplication and counterfeits.
- (iv) The license papers had no watermark security features for authentication and there was no evidence of safety controls during transportation and custody of pre-sealed license papers dispatched to County offices.

In the circumstances, the Authority could lose revenue and counterfeit licenses could be printed.

2. Non-Reconciliation of Licensing System and Accounting System

Review of the Authority's Information Systems indicates that application and processing of various licenses were done in the Licensing system whereas receipting of license fees was processed in an Accounting System. However, the two systems were not interfaced. Further, there was no evidence of reconciliation of reports from Licensing system and the Accounting system especially on the number and category of licenses issued and fees paid.

In the circumstances, the Management did not validate the reported revenue by reconciling the two systems.

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 Directors

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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of intention to terminate the Authority 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 Directors is responsible for overseeing the Authority's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit

the audit report in compliance with Article 229 (7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to 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 Authority 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

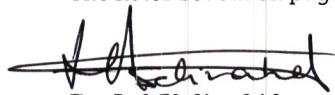
08 August, 2022

**National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2021**

XIII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2020-2021	2019-2020 RESTATED	2018-2019 RESTATED
		Kshs '000'	Kshs '000'	Kshs '000'
Revenue from non-exchange transactions				
Government grants - recurrent	4	1,153,919	1,180,202	1,072,244
Government grants - development	5	110,509	124,370	60,373
Donor funds	6	244,190	172,670	206,344
Revenue receipts	7	319,695	176,108	125,309
Total Revenue from Non-Exchange transactions		1,828,313	1,653,350	1,464,269
Revenue from exchange transactions				
Other income	8	3,200	1,681	2,844
Total Revenue from exchange transactions		3,200	1,681	2,844
Total revenue		1,831,513	1,655,031	1,467,113
Expenditure				
Staff costs	9	1,031,402	1,009,596	938,777
Administrative costs	10	382,993	323,796	298,566
Board expenses	11	29,455	49,583	43,048
Project expenses	12	248,901	160,559	187,182
Depreciation expense	13	81,658	83,669	66,261
Repairs and Maintenance	14	23,422	17,875	11,721
Utilities	15	19,714	11,899	16,981
Total Expenditure		1,817,545	1,656,977	1,562,536
Surplus/(Deficit)		13,967	(1,946)	(95,423)
Remission to National Treasury	30	19,814		
Net Surplus/(Deficit)		13,967	(1,946)	(95,423)

The notes set out on pages 7 to 29 form an integral part of the Financial Statements.


Dr. Lul Abdiwahid


Ag. Chairman

Date: 30/5/2022


Mr. Mamo B. Mamo

Director General

Date: 30/5/22


CPA Kennedy Ochuka

Director Corporate Services

ICPAK Member Number: 3872

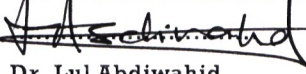
Date: 30/5/2022

National Environment Management Authority
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XIV. STATEMENT OF FINANCIAL POSITION AS AT 30th JUNE 2021

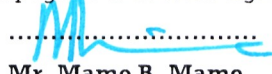
	Notes	2020-2021	2019-2020 RESTATED	2018-2019 RESTATED
		Kshs '000'	Kshs '000'	Kshs '000'
Assets				
Current Assets				
Cash and cash equivalents	16	965,507	871,459	880,313
Receivable from non-exchange transactions	17	113,590	116,278	169,641
Inventories	18	27,669	27,796	18,779
Total Current Assets		1,106,766	1,015,533	1,068,733
Non-Current Assets				
Intangible Assets	19	8,888	8,653	7,751
Property, plant and equipment	20	376,593	384,357	326,216
Total Non-Current Assets		385,481	393,009	333,967
Total Assets		1,492,246	1,408,542	1,402,699
Liabilities				
Current Liabilities				
Trade and other payables	21	227,861	154,274	317,189
Provisions	22	23,740	26,634	36,565
Refundable deposits and Prepayments from Customers	23	108,566	112,816	32,020
Deferred Income Liability	24	577,650	650,438	688,520
Total liabilities		937,817	944,162	1,074,294
Net assets		554,430	464,381	328,405
Equity				
Capital Fund	25	175,473	175,473	175,473
Revenue Reserves	26	(46,192)	(75,341)	(110,345)
Revaluation Reserves	27	19,099	21,525	23,899
Donation Reserve	28	108,803	64,967	77,252
Development Grants	29	297,248	277,757	162,127
Total equity		554,430	464,381	328,405

The Financial Statements set out on pages 1 to 28 were signed on behalf of the Board of Directors by:


Dr. Lul Abdiwahid

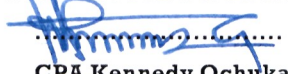
Ag. Chairman

Date: 30/5/2022


Mr. Mamo B. Mamo

Director General

Date: 30/05/22


CPA Kennedy Ochuka

Director Corporate Services

ICPAK Member Number: 3872

Date: 30/05/2022

*National Environment Management Authority
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XV. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021

	Notes	Capital Fund	Revenue Reserve	Revaluation Reserve	Dev. Grants	Donation Reserve	Total
		Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
At 1st July 2018		175,473	(32,417)	31,392	-	-	174,447
Prior year adjustment		-	17,495	(7,492)			10,002
Revaluation adjustment		-	-				-
Net surplus for the year		-	(95,423)	-			(95,423)
Capital Development Grants received in the year					222,500		222,500
Transfer of depreciation & Income realized to retained earnings					(60,373)	-	(60,373)
At 30th June 2019		175,473	(110,345)	23,899	162,127		251,154
At 1st July 2019 As Restated		175,473	(110,345)	23,899	162,127		328,406
Prior year adjustment		-	36,950	-			36,950
Revaluation adjustment		-	-	(2,374)			(2,374)
Net surplus for the year		-	(1,946)	-			(1,946)
Capital Development Grants received in the year					240,000		331,721
Transfer of depreciation & Income realized to retained earnings					(124,370)		(228,376)
At 30th June 2020		175,473	(75,341)	21,525	277,757		464,381
At 1st July 2020 As Restated		175,473	(75,341)	21,525	277,757	64,967	520,501
Prior year adjustment	31	-	15,182	-			15,182
Revaluation adjustment	48	-	-	(2,427)			(2,427)
Net surplus for the year		-	13,967	-			13,967
Capital Development Grants received in the year					130,000	56,120	130,000
Transfer of depreciation & Income realized to retained earnings					(110,509)	(12,285)	(122,794)
At 30th June 2021		175,473	(46,192)	19,099	297,248	108,802	554,429

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XVI. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2020-2021 Kshs '000'	2019-2020 RESTATED Kshs '000'	2018-2019 RESTATED Kshs '000'
Cash flows from operating activities				
Receipts				
Transfers from other governments entities	32	1,283,919	1,420,202	1,294,744
Public contributions and donations	33	259,262	102,400	600,452
Refund of Unspent Donor Funds (NRM)		-31,754		
Licenses and permits	34	253,781	176,108	157,330
Other income	35	3,200	1,681	2,844
Total Receipts		1,768,408	1,700,391	2,055,370
Payments				
Contracted services	36	20,751	63,901	26,778
Remuneration of directors	37	30,454	48,091	43,924
Employee costs	38	1,003,219	1,030,894	955,974
Repairs and maintenance	39	23,438	17,876	11,721
Use of goods and services	40	519,954	402,092	325,771
Grants and subsidies				
Total Payments		1,597,816	1,562,854	1,364,168
Net cash flows from/(used in) operating activities	46	170,592	137,537	691,202
Cash flows from investing activities				
Purchase of property, plant, equipment and intangible assets	19	-78,649	-146,391	-113,144
Proceeds from sale of property, plant and Equipment		2,105	-	181
Decrease/(Increase) in non-current receivables				
Purchase of investments				
Sale of investments				
Net cash flows from/(used in) investing activities		-76,544	-146,391	-112,963
Cash flows from financing activities				
Proceeds from borrowings				
Return of Donor unused funds (NRM)				
Proceeds from issue of shares				
Increase in capital funds				
Net cash flows from /(used in) financing activities		-	-	-
Net increase/(decrease) in cash and cash equivalents		94,048	-8,854	578,239
Cash and cash equivalents at 1 July		871,459	880,313	302,074
Cash and cash equivalents at 30 June		965,507	871,459	880,313

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XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2021

	Final budget	Actual on comparable basis	Performance difference	% of Utilisation	
	2020-2021	2020-2021	2020-2021		
	A	B	C=(A-B)	D=B/A	
Revenue	Kshs '000'	Kshs '000'	Kshs '000'		
Recurrent Grant	1,153,919	1,153,919	-	0.00%	a)
Development Grant	322,500	110,509	(211,991)	-65.73%	b)
Revenue Receipts	300,000	319,695	19,695	6.56%	c)
Donor Funds	790,986	244,190	(546,796)	-69.13%	d)
Other Income	-	3,200	3,200		
Total income	2,567,405	1,831,513	(735,892)		
Expenses					
Personnel Expenses	925,500	925,234	266	99.97%	e)
Staff Expenses	7,000	6,842	158	97.75%	f)
Communication Expenses	14,500	16,489	(1,989)	113.71%	g)
Printing & Stationery	17,500	12,850	4,650	73.43%	h)
Staff Training Expenses	21,000	21,870	(870)	104.14%	i)
Resource Center Expenses	1,500	1,175	325	78.33%	j)
Travelling & Accommodation	108,500	107,683	817	99.25%	k)
Motor Vehicle Expenses	50,900	51,351	(451)	100.89%	l)
Computer Expenses	9,500	10,498	(998)	110.50%	m)
Consultancy, Professional Fees, Tax & Legal awards	15,000	19,160	(4,160)	127.73%	n)
Publicity and Communication	10,700	9,468	1,232	88.49%	o)
Board Expenses	30,000	29,455	545	98.18%	p)
Office Running Expenses	30,000	28,347	1,653	94.49%	q)
Insurance Expenses	78,500	77,702	798	98.98%	r)
Office Rent & Land Rates	20,000	19,672	328	98.36%	s)
Office Utilities	16,200	15,203	997	93.84%	t)
Maintenance and Repairs	10,000	9,207	793	92.07%	u)
Bank Charges	819	819	-	99.97%	v)
Depreciation Expenses	85,000	81,658	3,342	96.07%	w)
Environmental Expenses	324,300	123,964	200,336	38.22%	x)
Project Expenses	790,986	248,901	542,085	31.47%	y)

National Environment Management Authority
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Total expenditure	2,567,405	1,817,545	749,860		
Surplus for the period	-	13,967	13,967		2)

Notes on the significant variances

Income

b) Development Grant

The variance was due to budget cuts

d) Donor Funds

Variance due to covid-19 negative effects which meant less activities, lockdowns and cessations of movements hence less absorption of donor funds.

Expenditure

X) Environmental activities

Variance due to covid-19 negative effects which meant less activities, lockdowns and cessations of movements hence low absorption.

Y) Project activities

Variance due to covid-19 negative effects which meant less activities, lockdowns and cessations of movements hence less absorption of donor funds.

XVIII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION – IPSAS 1

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

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

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

Standard	Effective date and impact:
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p> <p>These amendments had been earlier adopted by the Authority no impact to the financial statements</p>

ii. **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021**

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023:</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>No impact applicable from 1st January 2023.</p>
IPSAS 42: Social Benefits	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. <p>No impact, the Authority does not provide social benefits as defined by IPSAS 42</p>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p>No impact applicable from 1st January 2023.</p>

iii. **Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2020/2021.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Fees (Licences)

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

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

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

The Authority collected KES 319 million from licence fees compared to KES 176 million in the previous year (This is a 80% increase).

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income.

The total revenue received from government and other development partners was KES 1.508 billion compared to KES 1.477 billion in the previous year.

Rendering of services

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

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

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

Sale of goods

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

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

Interest income

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

No interest income was received in the year.

ii) Revenue from exchange transactions – IPSAS 9

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

Rental income

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

No rental income was received in the year.

Donor funds

An amount of **KES 244 million** was recognised as income from various donors. The donations are recognised by the Authority when received as liabilities. The amount spent is recognised as income and any unexpended fund at the end of period adjusted to unspent donor funds.

Donations

The donations are recognised by the Authority when received, these are donations towards sponsorship of world environmental days. An amount of KES 2.79 million was recognised as donations.

Miscellaneous income

Miscellaneous income is recognised by the Authority when received, an amount of KES 0.397 million was recognised which is comprised mainly of sale of tender documents and auction deposits.

Gain on disposal

Gain on disposal of assets relates to assets disposed within the financial year, an amount of KES 0.13 million was recognised as gain on disposal.

b) Budget information – IPSAS 24

The annual budget for FY 2020-02021 was approved by the National Treasury. The entity's budget is prepared on accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Taxes – IAS 12

Current income tax

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

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

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

d) Property, plant and equipment – IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount

of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. Assets valued at KES 78.65 million were acquired during the financial year.

e) Intangible assets – IPSAS 31

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

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

f) Inventories – IPSAS 12

Inventories of consumable nature are stated at the lower of cost and net realizable value. Cost comprises the purchase price and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs of selling the item. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity. During the year the Authority had a closing stock of consumable stock valued at KES 27.66 million.

g) Provisions – IPSAS 19

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

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

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

The Authority has recognized provisions amounting to KES 23.7 million.

Contingent liabilities

The Authority does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. Sources of contingent liabilities are mainly legal litigations.

Contingent assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it becomes virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

Nature and purpose of reserves

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

h) Changes in accounting policies and estimates – IPSAS 3

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

The comparative figures for the Financial year 2018-2019 and 2019-2020 and have been Restated due to a change in the revenue recognition policy in the reporting of revenues from a financial year to a calendar year.

i) Employee benefits – IPSAS 39

Retirement benefit plans

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

j) Foreign currency transactions

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

k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held on call with banks, net of bank overdrafts.

l) Comparative figures

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

The comparative figures in the 2018-2019 and 2019-2020 Financial years have been Restated due to a change in the revenue recognition policy in the reporting of revenues from a financial year to a calendar year.

m) Subsequent events – IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

n) Significant judgments and estimates

In the process of applying the Authority's accounting policies, management has made estimates and assumptions that affect the Authority. Estimates and judgments are continually evaluated and are based on historical experience and other factors,

including expectations of future revenue flows that are believed to be reasonable under the circumstances. The key areas of judgment in applying the Authority's accounting policies are dealt with below:

Critical judgments in applying the Authority's accounting policies

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

Fair values of financial instruments

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

Key sources of estimation uncertainty

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

Property and equipment

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

Intangible assets

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

Useful lives and residual values

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

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

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

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

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

	2021	2020	2019
4 Government grant received and recognized - recurrent	Kshs '000'	Kshs '000'	Kshs '000'
National Environment Management Authority (NEMA)	1,153,919	1,180,202	1,072,244
	-		
	<u>1,153,919</u>	<u>1,180,202</u>	<u>1,072,244</u>

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These are the amounts received from the Government to assist in meeting the Organization's Recurrent expenditures. It comprises of KES 1.153 billion received as recurrent grant for the year.

5

Name of the Entity sending the grant	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total transfers 2020/21	Prior year 2019/2020	Prior year 2018/2019
			KShs	KShs	KShs	KShs
Ministry of Environment and Forestry (development)	110,509	297,248.00		130,000	277,757	162,127
Total	110,509	297,248	-	130,000	277,757	162,127

	2021 Kshs '000'	2020 Kshs '000'	2019 Kshs '000'
Government grant - development			
National Environment Management Authority (NEMA)	101,603	124,370	60,373
Government grant Other	8,906		
	<u>110,509</u>	<u>124,370</u>	<u>60,373</u>

This relates to the amounts received from the Government to assist in meeting the Organization's Development expenditures. The total income received as development grant was KES 66.5 million. The revenue recognized in the year was KES 101.6 million. Development grant related to expenses for the period is treated as income in the statement of financial performance, while for the purchase of assets it's treated as deferred income and allocated to statement of financial performance income over the useful lives of the related assets.

The Authority also recognized KES 8.9 million as income for Nairobi river generation and rehabilitation of Ondiri and Enapuiyapui rivers.

	2021 Kshs '000'	2020 Kshs '000'	2019 Kshs '000'
6 Donor funds			
Danida NRM Project	-	-	-
KCDP World Bank	-	-	-
Adaptation Fund Income	152,717	101,728	106,294
Exchange Gain (Adaptation Fund)	-	-	5,370
UNEP NCNSA	-	-	-
GIZ Proklima	-	-	-
DANIDA			
GGECP	64,185	51,603	75,160
GCF - UNOPS	13,906	3,233	
KEPTAP	12,285	12,285	14,470
Other Donor funds (NRF)	1,098	3,822	5,050
	<u>244,190</u>	<u>172,670</u>	<u>206,344</u>

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This relates to various donor funds expended during the financial year. Donor funds expended during the year are recognized as Income and the balance as at the end of the year is treated as unspent donor funds. The total donor funds expended during the year was KES 244.19 million as compared to KES 172.67 million in the previous year.

	2021	2020	2019
	Kshs '000'	RESTATED Kshs '000'	RESTATED Kshs '000'
7 Revenue receipts			
EIA Registration fees	-	-	-
Water Quality	127,578	97,934	66,292
Waste Management	17,647	18,717	20,444
Biodiversity	300	308	660
Ozone Depleting Substances	15	90	362
Noise Pollution	466	267	307
EIA Income	145,261	4	157
Direct bank credits	14,197	47,649	31,204
Air quality	14,231	11,139	5,883
	319,695	176,108	125,309

These are the amounts collected as Appropriation- In- Aid (A-I-A) for the different licensing regimes monitored and Co-ordinated by the Authority as governed by the various regulations. The total A-I-A collected in the financial Year was a total of KES 319.6 million as compared to KES 176.1 million in the previous year.

	2021	2020	2019
	Kshs '000'	Kshs '000'	Kshs '000'
8 Other Incomes			
Canteen Services	-	-	-
Donations	2,790	975	2,199
Miscellaneous Income	397	706	514
Gain on Disposal	13	-	131
	3,200	1,681	2,844

These comprises of amounts received as Donations 2.8 million and Miscellaneous income KES 0.39 million mostly from sale of tender documents and court costs paid to the Authority. Gain on disposal of KES 0.013 million was realized.

	2021	2020	2019
	Kshs '000'	Kshs '000'	Kshs '000'
Expenditure			
9 Staff Costs			
Personal Emoluments	794,089	786,529	743,045
Employer's Pension/Gratuity	130,141	126,237	104,236
Employer's NSSF Contribution	1,004	973	948
Training Expenses	21,870	9,631	19,707
Insurance Expenses	77,456	77,244	64,383
Staff welfare expenses	6,842	8,981	6,458
Human Resources policy	-	-	-
	1,031,402	1,009,596	938,777

This relates to various Employee Expenses incurred. They include amounts paid as personal Emoluments of KES 794 million, Employer's Pension component/ Gratuity of KES 130.14 million, Employer's NSSF Contribution of KES 1Million, Amount incurred for training of Staff of KES 21.87 million , Insurance expenses of KES 77.4 million and other Staff Welfare expenses of KES 6.8 million.

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	2021	2020	2019
	Kshs '000'	Kshs '000'	Kshs '000'
10 Administrative expenses			
Local Travelling & Accommodation	107,597	51,030	77,753
Foreign Travelling & Accomodation	86	2,521	3,479
Rent	19,672	23,205	25,023
Regional/ County Operation Expenses	36,386	27,017	9,452
EIA Expenses	9,244	17,596	12,084
Plastic Bags Ban Expenses	69,106	94,203	60,373
Office & General Supplies & Services	40,522	33,796	40,518
Fuel and lubricants	35,640	25,472	38,460
Contracted Professional Services	10,176	7,017	6,002
Corporation tax	-	-	-
Legal Deposit	8,404	13,300	
Provision for Audit fees	580	580	580
Other Administrative Expenses	45,581	28,059	24,844
	<u>382,993</u>	<u>323,796</u>	<u>298,566</u>

This amount relates to various expenses that assist in the day to day operations of the Authority. They are instrumental in the Authority achieving its mandate and core objectives. A total of KES 382.9 million was incurred in the financial year and 323.8 million in the previous year.

	2021	2020	2019
	Kshs '000'	Kshs '000'	Kshs '000'
11 Board expenses			
Board and Committee Expenses	27,961	48,098	41,785
Honoraria	960	960	960
Medical Insurance cover	534	525	303
	<u>29,455</u>	<u>49,583</u>	<u>43,048</u>

These are expenditure for Board of Management and other benefits accruing to them. These include Sitting Allowances, accommodation, lunch allowances, travel reimbursements, honoraria, medical insurance air tickets and training. Board and Committee Expenses incurred amounted to KES 29.4 million, Honoraria KES 0.96 million and Medical Insurance of KES 0.53 million. A total of KES 49.58 million was used in the previous year.

	2021	2020	2019
	Kshs '000'	Kshs '000'	Kshs '000'
12 Project expenses			
UNEP NCSA Project expenses	-	-	2
NRM DANIDA Project expenses	-	-	1
UNEP GEF Project expenses	-	-	-
IDF World Bank Grant	-	-	59
GTZ Ozone Depleting Substances	-	-	-
River Sosiani Basin Expenses	-	-	-
KCDP World Bank Project expenses	-	-	-
Access & Benefit Sharing Expen.	0	1	2
UNIDO Expenses	-	-	-
UNFCCC SNCC Expenses	-	2	2
UNFCC TNA Expenses	-	-	2
Adaptation Fund (NIE) Expenses	152,643	101,728	105,551
Exchange loss	-	-	-
GGECP Expenses	64,185	51,603	75,160
GGECP Counterpart Expenses	15,833	2,271	4,752
National Research Fund Expenses	1,098	1,722	1,651
GCF Expenses	13,280	3,233	
Nature Kenya Conference Expenses	1,117		

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AEHPMP-World Bank	106		
Restorate & Rehabilitate Enapuiyapui & Ondiri	638		
	<u>248,901</u>	<u>160,559</u>	<u>187,182</u>

This relates to amounts incurred as expenses for the various donor funded projects being undertaken by the Authority. The total amounts expended for the various projects in the year totaled to KES 248.9 million. The amount incurred in the year 2020 was KES 160.6 Million.

	2021	2020	2019
	Kshs '000'	Kshs '000'	Kshs '000'
13 Depreciation expense			
Depreciation	80,356	82,721	65,173
Amortization	1,302	948	1,088
	<u>81,658</u>	<u>83,669</u>	<u>66,261</u>

This is the portion of the depreciable amount of the Various Assets owned by the Authority that was expensed during the year. Depreciation is charged on a straight-line basis. Depreciation amount charged to the Statement of Financial Performance is KES 81.66 million. Comprised of buildings KES 1.91 million, motor vehicles KES 47.43 million, furniture & fittings KES 10.6 million, office equipment KES 13.68 million, computer equipment KES 6.74 million and amortization of intangible assets KES 1.3 million. KES 83.67 million was charged in the year 2020.

	2021	2020	2019
	Kshs '000'	Kshs '000'	Kshs '000'
14 Repairs and Maintenance			
Building	8,166	1,924	2,177
Equipment	1,041	1,296	1,145
Computer and networks	3,589	127	
Vehicles	10,626	14,529	8,399
	<u>23,422</u>	<u>17,875</u>	<u>11,721</u>

These are the expenses incurred for repairs and maintenance to bring back the various Authority assets to a useable form upon deterioration. A total of KES 23.4 million was utilized during the year as compared to KES 17.88 million in the previous year. Motor vehicle repairs & maintenance increased due to purchase of more vehicles.

	2021	2020	2019
	Kshs '000'	Kshs '000'	Kshs '000'
15 Utilities			
Electricity Expenses	2,349	1,729	2,008
Water	877	1,424	1,072
Telephone Expenses	6,773	3,651	7,523
Internet Services	2,254	3,646	5,102
Postal & Telegrams	7,462	1,448	1,275
	<u>19,714</u>	<u>11,899</u>	<u>16,981</u>

These are amounts paid for the various Utility services including Electricity, Water, Telephone, Internet and postal services. The total amount incurred during the year was KES 19.7 million as compared to KES 11.9 million in the year 2020.

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16	Cash and Bank Balances	2021	2020	2019
	a) Bank Balances	Kshs '000'	Kshs '000'	Kshs '000'
	KCB Development Account [Acc No.1102292354]	148,690	203,112	229,018
	KCB Restoration Account [Acc No.1101628758]	35,702	35,705	35,706
	KCB Revenue Account [Acc No.1102298158]	140,577	11,531	5,678
	KCB Gateway Recurrent [Acc No.1112705546]	1,289	242	15,086
	KCB Gateway EPS Project [Acc No.1112714359]	-	-	-
	KCB Nairobi Regional Account [Acc No.1144988209]	-	1,179	1,392
	KCB Coast Regional Account [Acc No.1145067611]	-	1,455	1,558
	KCB Eldoret Regional Account [Acc No.1144811988]	-	67	32
	KCB Isiolo Regional Account [Acc No.1145025684]	-	3	-
	KCB NCNSA Project [Acc No.1135682763]	32	32	32
	KCB NRM Project Account [Acc No.1119972434]	-	31,756	31,757
	KCB ABS Project Account [Acc No.1127404164]	-	516	517
	KCB SNC Project Account [Acc No.1144217628]	2,366	2,366	2,368
	KCB TNA Project Account [Acc No.1144217865]	-	155	155
	KCB Adaptation Fund [Acc No.1165595192]	487,961	466,153	455,813
	KCB Adaptation Fund [Acc No.1218639164] KSH	30,536	33,140	52,581
	KCB GGECP Project [Acc No.1204171068]	16,281	70,540	35,238
	KCB Africa Environment Health Project [Acc No.1285063546]	87,747	-	-
	COOP Revenue Account [Acc No.1100030858900]	1,643	1,144	1,185
	CBA CBF (Biodiversity) [Acc No.6587230044]	3,669	3,677	3,678
	Stanchart KCDP Project Account [Acc No.0108016188409]	-	-	-
	BBK Pension Account [Acc No.708165964]	5,239	5,254	5,267
		961,733	868,025	877,059
	b) Cash in Hand			
	Nema Hq	186	188	245
	c) Mpesa Holding			
	Mpesa	3,073	3,073	3,008
	d) ECITIZEN			
	ECITIZEN	515	172	-
	Total Cash and bank balance	965,507	871,459	880,313

The total amount of Cash in Hand and at the Bank as at the end of the year was KES 965.5 million as compared to KES 871.46 million in the previous year.

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	2021	2020	2019
	Kshs '000'	Kshs '000'	Kshs '000'
17 Receivables			
Outstanding Advance - NEMA	17,060	36,625	29,896
Outstanding Advance - PCC	-	-	-
Receivable due to Adaptation Fund	48,239	61,465	126,802
Grant Receivable - Development	-	-	-
Other debtors	48,291	18,189	12,943
	<u>113,590</u>	<u>116,279</u>	<u>169,641</u>

These are outstanding advances, imprests, Receivables from Adaptation Fund executing entities and other debtors and the exchequer. As at the end of the financial year there was a total of KES 113.5 million outstanding, this was composed of advance and imprests KES 17.0 million, KES 48.2 million owed to adaptation Fund executing entities, the KES 48.2 million other debtors comprise of prepayments and deposits. KES 32.3 million relates to an overpayment to the Kenya Revenue Authority.

	2021	2020	2019
	Kshs '000'	Kshs '000'	Kshs '000'
18 Inventories			
Consumable stores	27,669	27,796	18,779
	<u>27,669</u>	<u>27,796</u>	<u>18,779</u>

The closing inventory as at June 2021 was KES 27.6 million as compared to KES 27.7 million in the previous year. The inventories comprise mainly of stationeries, computers, catering & sanitary consumables, awareness materials and tyres.

19 Intangible Assets

Description	2020-2021	2019-2020	2018/2019
	KShs	KShs	KShs
Cost At beginning of the year	10,384	8,534	6,696
Additions	1,538	1,850	1,838
At end of the year	11,922	10,384	8,534
Additions-internal development-WIP	6,336	6,336	6,336
Disposal	-	-	-
At end of the year	18,258	16,720	14,870
Amortization and impairment			
At beginning of the year	8,068	7,119	6,032
Amortization	1,302	948	1,088
Accm dep on revaluation Adj	-	-	-
Accm dep Prior year Adj	-	-	-
Accm dep on disposal	-	-	-
At end of the year	9,370	8,068	7,119
NBV	8,888	8,653	7,751

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20	Property, plant and equipment	Buildings	Motor Vehicles	Furnitures & Fittings	Computers & Printers	Office Equipment	Total
		Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
		2.5%	25%	12.5%	30%	12.5%	-
	Cost						
	1st July 2018	146,064	142,691	66,991	38,189	27,137	421,072
	WIP	11,594					11,594
	Additions	12,065	24,036	2,693	1,592	70,920	111,306
	Disposal	-	(800)	-	-	-	(800)
	Transfer		-	-	-	-	-
	30th June 2019	169,723	165,927	69,684	39,781	98,057	543,172
	Accumulated depreciation						
	1st July 2018	7,563	79,921	20,489	28,437	8,631	145,041
	Charge for the year	-	41,632	4,880	6,462	12,200	65,173
	Accm dep on revaluation Adj	3,652	-	3,841	-	-	7,493
	Accm dep Prior year Adj	-	-	-	-	-	-
	Accm dep on disposal	-	(750)	-	-	-	(750)
	30th June 2019	11,215	120,802	29,209	34,899	20,831	216,956
	Carrying amount						
	30th June 2019	158,508	45,125	40,475	4,882	77,226	326,216
	Cost						
	1st July 2019	146,064	165,926	69,684	39,781	98,057	519,513
	WIP						
	Additions	3,398	99,521	12,896	17,883	10,843	144,541
	Disposal	-	-	-	-	-	-
	Transfer	23,659	-	-	-	-	23,659
	30th June 2020	173,120	265,447	82,580	57,664	108,900	687,712
	Accumulated depreciation						
	1st July 2019	11,215	120,802	29,209	34,899	20,831	216,956
	Charge for the year	1,468	49,160	9,933	8,785	13,375	82,721
	Accm dep on revaluation Adj	2,374	-	-	-	-	2,374
	Accm dep Prior year Adj	-	-	-	-	1,305	1,305
	Accm dep on disposal	-	-	-	-	-	-

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30th June 2020	15,057	169,962	39,142	43,685	35,511	303,356
Carrying amount						
30th June 2020	158,063	95,485	43,439	13,980	73,390	384,357
Cost						
1st July 2020	173,120	265,447	82,580	57,664	108,900	687,712
WIP	17,950					17,950
Additions		43,196	4,528	7,148	4,289	59,161
Disposal	-	(9,337)	-	-	-	(9,337)
Transfer	-	-	-	-	-	-
30th June 2021	191,070	299,306	87,108	64,812	113,190	755,487
Accumulated depreciation						
1st July 2020	15,057	169,962	39,142	43,685	35,511	303,356
Charge for the year	1,907	47,428	10,601	6,743	13,677	80,356
Accm dep on revaluation Adj	2,427		-	-	-	2,427
Accm dep Prior year Adj	-	-	-	-	-	-
Accm dep on disposal	-	(7,245)	-	-	-	(7,245)
30th June 2021	19,390	210,145	49,743	50,428	49,188	378,893
Carrying amount						
30th June 2021	171,680	89,161	37,365	14,385	64,002	376,593

This indicates the Property, Plant and Equipment movement Schedule from Acquisition, Accumulated Depreciation and Netbook Values for the different classes of Assets as indicated in the carrying amounts as at 30th June 2021. The total additions during the year were KES 71.11 million and the Netbook value as at 30th June 2021 was KES 368.525 million.

	2021	2020	2019
Trade and other payables from exchange transactions	Kshs '000'	Kshs '000'	Kshs '000'
Sundry Payables	171,214	107,935	202,216
Taxes Payable	13,985	12,121	4,258
Other Payables	12,076	10,201	55,768
Net salary	-	68	-
Statutory deductions (PAYE, NHIF, NSSF, HELB)	20,888	11,969	14,469
NEMA Staff Welfare Society	112	113	359
Staff Housing Scheme	1,275	1,275	1,275
Bank Deduction Payable	73	2,425	5,459
Insurance Deduction Payable	10	10	1,007
Sacco Deduction Payable	18	47	8,636
Pension Fund Payable	178	178	11,880
Provision for gratuity	-	-	-
Assurance Cover Payable	8,032	7,932	11,863
	<u>227,861</u>	<u>154,274</u>	<u>317,189</u>

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Indicates various outstanding Liabilities as at the end of the financial year. The total amount for trade and other payables outstanding is 227.8 million as compared to KES 154 million in the previous year. Sundry payables comprise of suppliers & staff payable, taxes include withheld taxes payable, unspent donor funds are as analysed above,

22	2021	2020	2019
Provisions	Kshs '000'	Kshs '000'	Kshs '000'
General provisions	23,740	26,634	36,565

The general provisions include expenses which have been provided for and not yet paid as at the end of the year. KES 23.74 million in the current year and KES 26.63 million in 2020

23	2021	2020	2019
Refundable deposits from customers	Kshs '000'	Kshs '000'	Kshs '000'
Base Titanium	46,902	46,902	
Prepaid Revenue	61,664	65,914	32,020
	<u>108,566</u>	<u>112,816</u>	<u>32,020</u>

Includes 46 million payable to base titanium and prepaid water quality licences.

24	2021	2020	2019
Deferred Income Liability	Kshs '000'	Kshs '000'	Kshs '000'
Unspent donor funds	577,650	650,438	688,520
	<u>577,650</u>	<u>650,438</u>	<u>688,520</u>

These are un-utilized development grants. For the year 2021 the amount is KES 686.4 Million compared to KES 715.4 Million in the year 2020.

The Deferred development Liability is income not yet utilized. The unutilized income is KES 297.2 Million in 2021 as compared to KES 277.7 Million in the year ended June 2020.

25	2021	2020	2019
Reserves	Kshs '000'	Kshs '000'	Kshs '000'
Accumulated Fund			
At start of the year	175,473	175,473	175,473
At end of the year	<u>175,473</u>	<u>175,473</u>	<u>175,473</u>

26	2021	2020	2019
Revenue Reserve	Kshs '000'	Kshs '000'	Kshs '000'
At start of the year	(75,341)	(110,345)	(32,417)
Prior year Adjustment	15,182	36,950	17,495
Surplus/(Deficit)	13,967	(1,946)	(95,423)
At end of the year	<u>(46,193)</u>	<u>(75,341)</u>	<u>(110,345)</u>

27	2021	2020	2019
Revaluation Reserve	Kshs '000'	Kshs '000'	Kshs '000'
At start of the year	21,525	23,899	31,392
Revaluation Adjustment	(2,427)	(2,374)	(7,492)
At end of the year	<u>19,099</u>	<u>21,525</u>	<u>23,899</u>

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28 Donation Reserve

	2021 Kshs '000'
Unutilized Grant (KEPTAP)	52,683
Unutilized Grant (GGEF)	56,120
	108,802

29

	2021 Kshs '000'	2020 Kshs '000'	2019 Kshs '000'
Development Grants			
Deferred Development Income	297,248	277,757	162,127
	297,248	277,757	162,127

30. Surplus Funds Remission

In accordance with Section 219 (2) of the Public Finance Management Act regulations, regulatory entities shall remit into the Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Authority paid KES 32.38 million to Kenya Revenue Authority being the 90% of the surplus reported in the interim financial statements for financial year 2019/2020. However, after the adjustments in the revenue recognition the Authority has a deficit of 1.946 Million.

In the current financial year 2020/2021 although the Authority has reported a surplus in the interim financial statements of KES 13.920 million. There is no surplus payable since there was an overpayment of KES 32.38 million in the financial year 2019/2020.

	2020-2021 Kshs	2019-2020 Kshs
Adjusted /Surplus/deficit for the period	13,967	-1,946
Less: Allowable deductions by NT	-	-
90% computation (Included in Statement of Financial performance)	12,570	-

Surplus Remission Payable

	2020-2021 Kshs	2019-2020 Kshs
Payable/refundable at the beginning of the year	-32,384	-
Payable during the year	12,570	-
Payable/refundable at end of the year	-19,814	-32,384

31. Prior year adjustments – IPSAS 3

The prior year adjustments in the revenue reserves amounting to a total of KES 15.1 million relates to of KES 16.1 million which is Unrecorded GGECP expenditure for previous years while KES 0.76 million relates to previous financial years rent expenses which had not been expensed

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32. Transfers from other governments entities	2020-2021	2019-2020	2018-2019
	Kshs	Kshs	Kshs
National Environment Management Authority (NEMA)	1,153,919	1,167,800	1,056,244
Government grant Other	63,500	12,402	16,000
Development grants from GOK	66,500	240,000	222,500
Government grant Other			
	1,283,919	1,420,202	1,294,744

33. Public contributions and donations

	2021	2020	2019
Donor funds	Kshs '000'	Kshs '000'	Kshs '000'
Adaptation Fund Income	128,414	-	399,783
DANIDA GGECP	41,499	100,000	140,000
GCF - UNOPS			60,668
KEPTAP			
Other Donor funds (NRF)	1,600	2,400	-
EHPMP	87,749	-	-
	259,262	102,400	600,452

34 Licenses and permits

	2021	2020	2019
	Kshs '000'	Kshs '000'	Kshs '000'
Water Quality	61,664	97,934	98,313
Waste Management	17,647	18,717	20,444
Biodiversity	300	308	660
Ozone Depleting Substances	15	90	362
Noise Pollution	466	267	307
EIA Income	145,261	4	157
Direct bank credits	14,197	47,649	31,204
Air quality	14,231	11,139	5,883
	253,781	176,108	157,330

35. Other Incomes

	2021	2020	2019
	Kshs '000'	Kshs '000'	Kshs '000'
Donations	2,790	975	2,199
Miscellaneous Income	397	706	514
Gain on Disposal	13	-	131
	3,200	1,681	2,844

	2021	2020	2019
36. Contracted Services	Kshs '000'	Kshs '000'	Kshs '000'
Rent	10,697	55,810	16,883
Security	7,895	6,130	6,755
Cleaning Services	2,159	1,961	3,140
	20,751	63,901	26,778

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37. Remuneration of Directors

Opening Creditors	1,767	275	1,151
Expenditure	29,436	49,583	43,048
Closing Balance	- 749	- 1,767	- 275
Actual Cash Paid out	30,454	48,091	43,924

38. Employee costs

	2021 Kshs '000'	2020 Kshs '000'	2019 Kshs '000'
Opening Payables	24,017	54,947	91,851
Expense for the Year	1,009,787	999,964	919,070
Closing Payable	- 30,585	- 24,017	- 54,947
Actual Cash Paid out	1,003,219	1,030,894	955,974

39. Repairs and maintenance

	2021 Kshs '000'	2020 Kshs '000'	2019 Kshs '000'
Motor Repairs and Maintenance	10,634.00	14,529.00	8,399.00
Computer Maintenance & Repairs	3,597.00	127.00	-
Office Equipment Repairs	1,041.00	1,296.00	1,145.00
Office Building Repairs	8,166.00	1,924.00	2,177.00
	23,438.00	17,876.00	11,721.00

40. Use of Goods and Services

	2020-2021 KShs	2019-2020 KShs	2018-2019 KShs
Electricity	2,349	1,729	2,008
Water	877	1,424	1,072
Professional services	8,404	13,300	-
Audit fees		580	580
Consumables	16,386	13,447	9,452
Fuel and oil	21,787	25,472	22,819
Licenses and permits/EIA expenses	9,244	9,596	12,084
Plastic Bags ban	69,106	72,203	20,373
Postage	1,183	1,448	1,275
Printing and stationery	21,339	23,796	15,518
Telecommunication	9,027	7,297	7,625
Training	21,870	9,631	9,707
Travel, accommodation, subsistence and other allowances*	36,637	33,551	26,232
Other general expenses	39,860	28,059	9,844
Project Expenses	261,885	160,559	187,182
	519,954	402,092	325,771

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

The Authority does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent Liabilities

The following are major contingent liabilities as at 30th June 2021.

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

In this case the Petitioners filed a Petition against the Authority on grounds that the Authority failed to pay the claimants a non-practice and prosecutorial allowances and the cost of the suit. The Authority has appealed the case and in the event the ruling will be in favour of the petitioners an estimated cost of KES 22,000,000/- in lieu of compensation and costs of the suit, as at 30 June 2020 is expected. This amount has been provided for in full. An additional deposit of KES 3,039,245 was asked by the court within the financial year which was also provided for.

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

In the course of the conduct of its regulatory mandate claims for specified and unspecified damages have been lodged against the Authority against violation of the right to a clean and healthy environment in the Uhuru Owino case before the Environment and Land Court (ELC). The case was determined and ruling made against the Authority however an appeal against the decision was lodged. The compensation was set at KES 1.3 billion of which the Authority is liable for 40% of the award, which is KES 520 million. The cost of restoration was set at KES 700 million for all the defendants in the suit but also with an alternative of the defendants doing the restoration themselves, the Authority is considering taking the latter option. The Authority has appealed the case.

42. Related Party Disclosures-IPSAS 20

The Authority has six key management personnel. The managers participate in making key management decisions of the Authority and reports to Board of Management for guidance and the parent ministry for policy direction. The four key managers' remuneration for the financial year ended June 30, 2021 was KES 21.4 million. The Authority received KES 1.327 billion from the parent ministry as recurrent grant, development grant and project grants.

43. Financial Instruments Disclosure-IPSAS 30

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

Receivables

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

Payables

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

44. Revaluation of Assets-IPSAS 17

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

45. FINANCIAL RISK MANAGEMENT POLICIES

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

(a) Significant accounting policies

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

(b) Financial risk management objectives

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

(c) Credit risk

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

	KES '000'
At 30 June 2021	
Cash at bank	965,507
Receivables	79,519
	1,045,026
At 30 June 2020	
Cash at bank	871,353
Receivables	116,279
	987,632

(d) Liquidity risk management

The Authority's liquidity risk results from lower funding by the Government and inability to collect adequate appropriation in aid through licensing fees to supplement the reduced government funding. Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents.

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

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

(e) Market risk management

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

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Foreign Currency Risk

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

46. CASH GENERATED FROM OPERATIONS

	Notes	2021 Kshs '000'	2020 Kshs '000'	2019 Kshs '000'
Surplus for the year		13,967	(1,946)	(95,423)
Adjustments for:				
Tax expense		-	-	-
(Gain)/Loss on disposal of property, plant & equipment	8	(13)	-	(131)
Interest received	0	-	-	66,261
Depreciation of property, plant & equipment	13	81,658	83,669	7,492
Accumulated depreciation adjusted	19		1,305	10,003
Prior year adjustment	30	15,182	36,950	
Excess surplus paid			-	-
Operating (loss) before working capital changes		110,794	119,978	(11,798)
Changes in operating assets and liabilities				
(Increase)/decrease in Receivable from non-exchange transactions		2,689	53,363	36,755
(Increase)/ decrease in inventories		127	(9,017)	4,503
Increase/(decrease) in trade payables and other payables		73,587	(162,915)	685,142
Increase /(decrease) in provisions		(2,894)	(9,931)	(18,516)
Increase /(decrease) in Refundable deposits and Prepayments from Customers		(4,249)	80,796	-
Increase /(decrease) in Development Grants		(28,953)	(50,367)	32,020
Increase/(decrease) in Deferred Income Liability		19,491	115,630	(36,904)
Cash used in operations		170,592	137,537	691,202
Surplus paid			-	-
Net cash used in operating activities		170,592	137,537	691,202

47. CAPITAL COMMITMENTS

Capital commitments	2020-2021	2019-2020	2018-2019
	Kshs '000'	Kshs '000'	Kshs '000'
Authorised for:	4,878	-	-
Authorised and contracted for	78,648	170,049	113,144
Total	83,526	170,049	113,144

48. REVALUATION ADJUSTMENT

	2020-2021	2019-2020	2018-2019
	KShs	KShs	KShs
Opening Balance	21,525	23,899	31,392
Revaluation Adjustment	(2,427)	(2,374)	(7,492)
Closing Balance	19,099	21,525	23,899

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XIX. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised in the final external audit report 2019/2020, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe
FY 2019/2020	<p>Failure to Acquire Ownership Documents</p> <p>As previously reported, property, plant and equipment balance of Kshs. 386, 673,000 as at June, 2020 excludes the value of nine (9) parcels of land in Kilifi, Lamu, Taita Taveta, Homabay, Isiolo Embu, Kajiado, Elgeyo Marakwet and Samburu Counties where the Green Points have been constructed. The ownership documents for the above parcels of land as well as the land on which the Authority's Headquarters office is located were not provided for audit review. Consequently, it has been possible to confirm the value and ownership status of property, plant and equipment balance of Kshs. 386,673,000 as at 30 June 2020</p>	<p>The management notes the observation but would like to clarify that the property, plant and equipment balance in the financial Statements are accurate and complete. The Management has capitalized the cost of building since its funds are used in the construction while the land belongs to the County Commissioner (National Government) but only allocated to the authority since they have the authority to allocate land for the construction of Government offices. This therefore shows the figures of Property, Plant and Equipment indicated in the Financial Statements are fairly stated.</p> <p>In addition the Authority is engaging the county governments and other government departments to determine whether the Authority can get titles to enable capitalization of the said parcels of land.</p> <p>NEMA building where the Authority headquarter office is located belongs to Kenya Wildlife Services and the ownership documents are with them. The Authority pays rent to Kenya Wildlife Services as per the lease agreement between the two organizations. The headquarter office cost has not been capitalized.</p>	In progress	30/06/2022
FY 2019/2020	<p>Receivables</p> <p>As disclosed in Note 17 to the financial statements and as previously reported, the statement of financial position reflects a balance of Kshs. 116,278,000 in respect of receivables from exchange transactions which includes imprest and advances amounting to Kshs. 36,625,000 (2018/2019: Kshs. 29,896,000) which had not been surrendered at the end of the financial year. It was noted that some of the debts include salary and field advances amounting to Kshs. 23,894,000 and an imprest balance of Kshs. 12,731,000 which has been outstanding for more than (4) four years.</p>	<p>The management takes note of this observation and wish to clarify that the receivables balance of Kshs. 116,278,000 as at 30 June, 2020 is fairly stated. The Authority has continued to adhere to imprest management regulation and has always ensured that staff surrender their outstanding imprest within 7 days when back from the field. However on the long outstanding imprest it has taken long to resolve as a result of some being court cases, some staff having deceased and some will require the approval of the board of management to clear.</p> <p>On adaptation fund the Authority wish to clarify that it disburses advances to the executing entities namely Kenya Forestry</p>	In progress	30/06/2022

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe
	<p>Further, the Authority owed Adaptation Fund an amount of Kshs. 61,471,000 which had not been accounted for after the money was transferred to the implementing entities. In the circumstances, it has not been possible to confirm the recoverability of receivables amounting to Kshs. 68,096,000 included in the receivables from exchange transactions balance of Kshs. 116,278,000 as at 30 June 2020.</p>	<p>Research Institute (KEFRI), Tana & Athi Rivers Development Authority (TARDA) and Coast Development Authority (CDA). The executing entities in turn remit funds to the sub executing entities under them for the implementation of the program activities as per their approved work plan and budget. The executing entities oversee the implementation of the program in the respective sub executing entities. The funds are meant for infrastructure for water harvesting, storage and irrigation, mangrove rehabilitation and shoreline stabilization and construction of flood control structures along river banks (dykes), Unblock drainage channels to increase water flow (disilting), Planting bamboo along river banks. These activities involve long procurement processes and payment to the contractors on issuance of certificates by engineers. The procurement had been taking long given the fact that the Executing entities were guiding the sub executing entities in the procurement processes hence the slow uptake. Currently procurement has been centralized at NEMA where all the affected entities participated. The sub executing entities are currently implementing these activities and the outstanding amounts have drastically reduced this can be evidenced by the fact that the outstanding amount from the executing entities has reduced from KES 126.8 Million in 2019 to KES 61.5 Million in 2020.</p>		
FY 2019/2020	<p>Materiality Uncertainty Relating to Sustainability of Services During the year under review, the Authority's statement of changes in net Assets reflected a cumulative deficit of Kshs. 38,181,000. The statement of financial position reflects current liabilities of Kshs. 1,249,725,000 which exceeds current assets balance of Kshs. 1,015,533,000 resulting to a negative working capital of Kshs. 234,192,000 as at 30 June, 2020 (2019: Kshs. 212,921,000). The Authority continued existence is therefore dependent upon the financial support of the Government and its creditors.</p>	<p>Management is in agreement that the Authority has cumulative deficit of Kshs. 38,181,000 and is in a negative working capital position. The Authority is however optimistic of a better financial performance in the financial years ahead as it continues to engage the National Treasury for additional budget allocation to be able to meet its expenses. In addition, management wish to point out that the cumulative deficit in the current year has reduced to Kshs 38,181,000 million from Kshs 78,326,000 million in the previous year. The Authority also posted a net surplus of Kshs 3,195,000 in the current year. In addition, management is in the process of increasing internally generated revenues by enhancing the compliance and</p>	In progress	30/06/2022

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe
		enforcement on the payment of Effluent Discharge Licenses (EDL) and getting the EIA fees reinstated.		
		The management notes the observation and wishes to clarify as follows: The Authority was advised by the Attorney General who is the principal legal advisor to Government and Salaries and Remuneration Commission responsible for approval of all allowances in the public sector to appeal the case. This case at its determination affects to the whole public sector. i) On the status of court cases the status of the identified cases is as follows; Management Comments The management notes the observation and wishes to clarify as follows: 1. CMCR 1842 of 2016: Case pending prosecutorial hearing at Magistrates court in Kilimani. 2. CMCR 9 of 2018: Case pending prosecutorial hearing at Magistrates court in Naivasha. 3. Court case against former Director General and two other officers: Case pending prosecutorial hearing before court. 4. There are cases which have been cleared while some are awaiting hearing before courts across the Country		
FY 2019/2020	Failure to recognize Contingent Assets and Contingent Liabilities I draw your attention to Note 26 to the financial statements on provisions , contingent liabilities and contingent assets where Management has made a number of disclosures on the contingent liabilities	Management has noted the observation, it will allocate a budget for revaluation of assets in the coming financial year to ensure the assets are carried down at their revalued amount. The authority will amend the finance manual in the next financial year to give clear policy guidelines to guide the Management in the valuation of its assets.	In progress	30/06/2022
FY 2019/2020	Failure to value Assets Although Management has indicated in the notes that the Authority regularly revalues its assets, the note does not clarify how regularly this should be carried out. The Authority Financial Management Manual does not have a clear policy guideline on valuation of its Assets	Management has noted the observation and will communicate to the board to ensure the board calendar is adhered and that proper controls are put in place to ensure quality and quantity of the deliberations are achieved. All board minutes will be provided for verification. With the issue of circular on management of state corporations of 11/03/2020 Ref No.OP/CAB.9/1A the board expenses are expected to significantly reduce.	In progress	30/06/2022
FY 2019/2020	Effectiveness of Board of Directors Work plan During the year under review, the Board expenses rose from Kshs. 43,048,000 as reflected in 2018/2019 financial statements to Kshs. 49,583,000 in 2019/2020 an increase of 15%. The Boards Calendar / workplan for 2019/2020 had provided for an average of four (4) full board meetings for the whole year and the four (4) standing committees. However, analysis revealed for Board expenses and the attendance register revealed that the trend for the attendance was			

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe
	<p>haphazard with a number of special board and consultative meetings, an indication that the calendar of meetings may not have been adhered to. Consequently, the effectiveness of the Board in overseeing of the Authority's operations could not be established as the legitimacy of the decisions made in such meetings may not stand the test should they be challenged in a competent court of law.</p>			

XX. Appendix 1: 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 KES	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1 Integrated Programme to Build Resilience to Climate Change & Adaptive Capacity of Vulnerable Communities in Kenya under United Nations Framework Climate Change Convention (UNFCCC)	KEN/NIE/Multi/2013/1	ADAPTATION FUND BOARD	The project official start date is 01 05 2016- The project end date has been extended to	One billion	Yes	Yes
2 Green Growth & Employment Program (GGEP)	2015-39789	Denmark - Danida	The project official start date is 2016 The project end date is 2020	560 Million	Yes	Yes

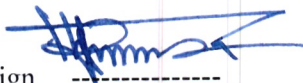
Status of Projects completion

	Project	Total project Cost	Total expended to date KShs	Completion % to date	Budget	Actual	Sources of funds
					KShs	KShs	
1	Integrated Programme to Build Resilience to Climate Change & Adaptive Capacity of Vulnerable Communities in Kenya under United Nations Framework Climate Change Convention (UNFCCC)	One billion	744,672,963	74%	600,000,000	165,753,674	GRANT (ADAPTATION FUND)
2	Green Growth & Employment Program (GGEP)	560 Million	412,860,176	74%	110,760,000	64,184,759	Denmark - Danida

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	ENTITY NAME:	NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY		
Break down of Transfers from the Ministry of Environment and Forestry FY 2020-2021				
a.	Recurrent Grants			
		Bank Statement Date	Amount (KShs)	FY to which the amounts relate
		6-Aug-2020	288,479,750.00	2020-2021
		30-Nov-2020	288,479,750.00	2020-2021
		28-Jan-2021	288,479,750.00	2020-2021
		3-May-2021	288,479,750.00	2020-2021
		Total	1,153,919,000.00	
b.	Development Grants			
		11-Sep-2020	66,500,000.00	2020-2021
		Total	66,500,000.00	
c.	Other Grants:			
	Nrb River Reg.	6-Jul-2020	45,000,000.00	2020-2021
	Enapuiyapui & Ondiri Swamps Res & Rehab	9-Nov-2020	10,000,000.00	2020-2021
	Enapuiyapui & Ondiri Swamps Res & Rehab	1-Dec-2020	3,500,000.00	2020-2021
	Enapuiyapui & Ondiri Swamps Res & Rehab	19-May-2021	5,000,000.00	2020-2021
		Total	65,100,000.00	
d.	Donor Receipts			
		Bank Statement Date	Amount (KShs)	FY to which the amounts relate
	GGECP	24-Aug-2020	41,499,288.00	2020-2021
	Total		41,499,288.00	
		Total	1,325,418,288.00	

Director Corporate Services
National Environment & Management Authority

Sign 

Head of Accounting Unit
Ministry of Environment & Forestry

Sign 

*National Environment Management Authority
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XII. Appendix 3: Recording of Transfers from Other Government Entities

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/ Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Environment and Forestry	06/08/2020	Recurrent	288,479.75	288,479.75					288,479.75
Ministry of Environment and Forestry	30/11/2020	Recurrent	288,479.75	288,479.75					288,479.75
Ministry of Environment and Forestry	28/01/2021	Recurrent	288,479.75	288,479.75					288,479.75
Ministry of Environment and Forestry	07/05/2021	Recurrent	288,479.75	288,479.75					288,479.75

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Ministry of Environment and Forestry	11/09/2020	Development	66,500.00		66,500.00			66,500.00
Ministry of Environment and Forestry	09/11/2020	Development	10,000.00		10,000.00			10,000.00
Ministry of Environment and Forestry	01/12/2020	Development	3,500.00	637.8	2,861.20			3,499.00
Ministry of Environment and Forestry	19/05/2021	Development	5,000.00		5,000.00			5,000.00
Ministry of Environment and Forestry	06/07/2020	Development	45,000.00	8,268.26	36,731.74			45,000.00
NRF	24/02/2021	Donor Fund	1,600.00	1,600.00				1,600.00
Danida	24/08/2020	Donor Fund	41,499.29		41,499.29			41,499.29
Total			1,327,018.29	1,164,425.06	162,592.23	-	-	1,327,017.29