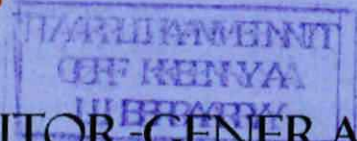


REPUBLIC OF KENYA



*Paper laid
By Hon Aden Duwa
Leader of Major
on 11/09/16
[Signature]*

OFFICE OF THE AUDITOR-GENERAL

REPORT



OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
NATIONAL ENVIRONMENT
MANAGEMENT AUTHORITY

FOR THE YEAR
ENDED 30 JUNE 2015





nema

mazingira yetu | uhai wetu | wajibu wetu

NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2015

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

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information


The National Environment Management Authority is a State Corporation established by the Environmental Management and Co-ordination Act No. 8 of 1999 of the Laws of Kenya. The principal activities of the Authority are to exercise general supervision and co-ordination over all matters relating to the environment and to be principal Instrument of Government in implementation of all policies relating to the environment. At cabinet level, NEMA is represented by the Cabinet Secretary for Environment, Water and Natural Resources who is responsible for the general policy and strategic direction of the Authority.


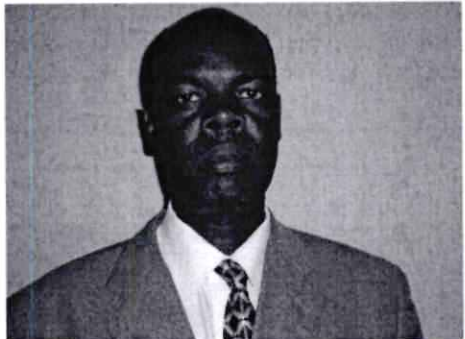

(b) Principal Activities



The principal activity/mission of the Authority is to safeguard and enhance the quality of the environment through coordination, research, facilitation and enforcement, while encouraging responsible individual, corporate and collective participation towards sustainable development.

(c) Key Management

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

1	 <p>Prof. Geoffrey Wahungu, PhD</p>	<p>Director General: He holds a Bachelor of Science and a Master's of Science in Wildlife Management from Moi University, and a PhD in Ecology from the Griffith University, Australia. He has previously worked for Kenya Wildlife Service. He has taught for several years at Moi University, rising through the ranks to an associate professor. Has extensive management experience, having served as the Chair of the Department of Wildlife Management for many years, and as Dean in the School of Natural Resources and Environmental Studies, Karatina University. He is a visiting Scholar to the Department of Fish, Wildlife and Conservation Biology in Colorado State University. He has many Research Publications and is a Board Member and Reviewer in various Environmental Journals. He was appointed the Director General in 2012.</p>
		<p>Director Finance and Administration: He 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>Mr. Kennedy Ochuka</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.</p>
3	 <p>Dr. Kennedy Ondimu, PhD</p>	<p>Director Environmental Planning & Research Coordination:</p> <p>He holds a PhD in Environmental Planning and Management from Moi University. He has taught and supervised postgraduate as well as undergraduate students in environmental planning and management and tourism planning and product development. He has held senior management positions in the Ministry of Lands and at Moi University.</p>
4	 <p>Dr. Ayub Macharia, PhD</p>	<p>Director Environmental Education, Information and Public Participation:</p> <p>He holds PhD in Environmental Education from Rhodes University, South Africa. He has previously worked as a teacher with the Teachers Service Commission, as a lecturer at Kenyatta University and Strathmore University. He has top level management experience having served as the acting Director General in the Authority for a period of two years.</p>

5	 <p>Ms. Irene Kamunge</p>	<p>Director Legal Services:</p> <p>She 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.</p>
6	 <p>Mr. Zephaniah Ouma</p>	<p>Ag. Director Compliance and Enforcement</p> <p>He holds Master of Science in Waste Management and Contaminated Sites, Dresden University of Technology, Germany. He also holds Bachelor of Science in Biochemistry, Jomo Kenyatta University of Agriculture and Technology. He has worked as Principal Environmental Research Officer, Environmental Inspector, Principal Environmental Research Officer, Senior Environmental Impact Assessment</p>

	Officer and District Environment Officer all With the Authority.
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(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2015 and who had direct fiduciary responsibility were:

No.	Designation	Name
1	Director General	Prof. Geoffrey Wahungu, PhD
2	Director Finance and Administration	Mr. Kennedy Ochuka, B.Com, MBA, CPA (K)
3	Director Environmental Planning & Research Coordination	Dr. Kennedy Ondimu, PhD
4	Director Environmental Education, Information and Public Participation	Dr. Ayub Macharia, PhD
5	Director Legal Services	Ms. Irene Kamunge, LLB, LLM
6	Ag. Director Compliance and Enforcement	Mr. Zephaniah Ouma, BSc, MSc

(e) Fiduciary Oversight Arrangements

The primary organ responsible for fiduciary oversight is the Board of Management. However for major part of the year under review, this role was performed by the Parent Ministry as the Authority did not have a functioning Board of Management until 17th April 2015 when the new board members were appointed.

Other Government bodies also provided oversight.

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 which 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

The scope of this Committee includes risk management, as well as compliance with the regulatory requirements. The Audit Committee broadly oversees NEMA's standards of integrity and behaviour, reporting of financial information and internal control systems.

Environmental Management and Conservation Technical Committee

The role of this Committee is to assist the Board of Management in determining NEMA's vision, mission and values, provide strategic direction to NEMA and recommend approval of strategic plan. The Committee also reviews annual work plan, corporate strategy and advices on policies, priorities and planning for the protection, management and conservation of the environment.

(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

Kenya National Audit Office

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

I. THE BOARD OF DIRECTORS



Maluki Mwendwa

Chairperson: Mr. Maluki Mwendwa is the Chairman of NEMA Board of Management. He holds an MBA (Finance and Entrepreneurial Management) from Wharton School, University of Pennsylvania, USA and a BA (Hons) Economics and Commerce from the University of Hull, UK. He has been involved in policy planning, strategy formulation and implementation, as well as Human Resource training and recruitment. He has wide experience acquired both locally and internationally in Switzerland and the Middle East. Mr. Maluki was appointed the Chairman of the NEMA Board of Management in 2013, having joined the Board in 2005. He was born in 1968.



Prof. Geoffrey Wahungu

Director General: He holds a Bachelor of Science and a Master's of Science in Wildlife Management from Moi University, and a PhD in Ecology from the Griffith University, Australia. He has previously worked for Kenya Wildlife Service. He has taught for several years at Moi University, rising through the ranks to an associate professor. Has extensive management experience, having served as the Chair of the Department of Wildlife Management for many years, and as Dean in the School of Natural Resources and Environmental Studies, Karatina University. He is a visiting Scholar to the Department of Fish, Wildlife and Conservation Biology in Colorado State University. He has many Research Publications and is a Board Member and Reviewer in various Environmental Journals. He was appointed the Director General in 2012.

He was born in 1968.



Principal Secretary, Environment: Dr. Lesiyampe holds a PhD in Management from Kenya Methodist University. He has held senior management positions in the public sector. He worked at the Kenya Wildlife Services for many years. Prior to his appointment as the Principal Secretary, he was the Chief Executive Officer at the Kenyatta National Hospital.

Dr. Richard Lesiyampe



Dr. Kamau Thugge

Principal Secretary, National Treasury: Dr. Kamau Thugge is a distinguished economist with a PhD in Economics from Johns Hopkins University. Dr. Thugge has worked for mainly two organizations. Before his appointment to The National Treasury as the Principal Secretary, Dr. Thugge started his employment in the International Monetary Fund (IMF); he came back to the Ministry of Finance and again went to IMF.



Dr. Susan Mwamlole

She holds a Bachelor of Dental Surgery degree from the University of Nairobi and Masters of Science in Dental Public Health from the University of London Eastman College and a Diploma in Dental Public Health from the Royal College of Surgeons (London). She has practiced extensively in her area of specialisation in Kenya and in Botswana. She joined the Board in 2013. She was born in 1958.



Mr. Patrick Ngatia



He holds a Bachelor of Science in Botany and Zoology and Master of Arts in Environmental Planning and Management, both at the University of Nairobi. He has a certificate in leadership studies from Friedrich Ebert Foundation (FES) of Germany and is an Associate of the Chartered Institute of Arbitrators.

He also works in the Presidents Private office at State House as Director of Liaison. He joined the Board in April 2015. He was born 1976.



He 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 Agriculture from the same University. He is currently a Professor of Animal Production and has also worked as Associate Professor, Adjunct Professor,

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<p>Prof. Barnabas Njiru Mitaru</p>	<p>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 joined the Board in April 2015. He was born in 1949.</p>
 <p>Dr. Daniel K. Tuitoek</p>	<p>He holds a PHD in Water Resources Engineering from University of Alberta and a Master of Science and Bachelor of Science in Water and Irrigation Engineering from Moscow Hydro technical Institute of Engineering. He is currently member University Senate and as served in other membership roles in Egerton University. He is as well a Senior Lecturer Water and Environmental Engineering at Egerton University. He has also worked as Acting Vice Chancellor, Deputy Vice-Chancellor; Deputy Vice Chancellor/Founding CEO all at Kabarak University .He joined the Board in April 2015. He was born in 1959.</p>
 <p>Caroline Wakesho Sonje</p>	<p>She holds a Master of Arts degree in Environment Planning and Management from University of Nairobi and a Bachelor of Environmental studies from Kenyatta University. She has worked in Sustainability management, risk and card production management and accounts management with Kenya Commercial Bank. She joined the Board in April 2015. She was born in 1982.</p>
 <p>Charles Lukania Oluchina</p>	<p>He holds a Master of Business Administration degree from Management College of South Africa and a Bachelor of Science Natural Resources Management from Egerton University. He has worked as field assistant, community development specialist, national project monitoring coordinator, biodiversity and NRM specialist, and program and policy strategy advisor on environment, land policy and community. He recently joined TNC/Kenya as county program manager. He joined the Board in April 2015. He was born in 1974.</p>



Dr. Ayub Macharia

He holds PhD in Environmental Education from Rhodes University, South Africa. He has previously worked as a teacher with the Teachers Service Commission, as a lecturer at Kenyatta University and Strathmore University. He has top level management experience having served as the acting Director General in the Authority for a period of two years. He joined the Board in 2007. He was born in 1969.



Dr. Kennedy Ondimu

He holds a PhD in Environmental Planning and Management from Moi University. He has taught and supervised postgraduate as well as undergraduate students in environmental planning and management and tourism planning and product development. He has held senior management positions in the Ministry of Lands and at Moi University. He joined the Board in 2006. He was born in 1965.




Erastus Wahome

Alternate to Kamau Thugge: He is an economist and holds a masters and post graduate degrees in Economics from the Monash University, Melbourne, Australia and a bachelor degree from the University of Nairobi. Prior to assuming his current position as Chief Economist, he had worked in other Government Ministries and served in various positions. He served as an advisor to the Secretary General's of COMESA and EAC, IGAD and IOC under the auspices of the Inter-Regional Coordinating Committee (IRCC) between 2006-2009. He is an expert on regional integration issues and climate change. He has served as coordinator and expert in many regional and international conferences in the field of trade and regional integration, climate policy development and climate finance among others. He joined the Board in 2011. He was born in 1961.



Alternate to Dr. Richard Lesiyampe: holds a holds Bachelor of Science degree in forestry from Moi University and a Master of Science degree in Forestry from the University of Toronto. She is currently the Director, Programs, Projects & Strategic Initiatives, Ministry of Environment, Water and Natural Resources. She has extensive management expertise, having worked at senior levels in

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<p>Agnes Yobterik</p>	<p>both the public and the private sector. She joined the Board in June 2013. She was born in 1962.</p>
 <p>Alex Mbuvi</p>	<p>He is a Senior Principal State Counsel in the Legal Advisory Division at the Office of the Attorney General and Department of Justice. He holds Bachelor of Social Laws, Bachelor of Laws degrees and a post graduate Diploma in Law. Alternate to the Attorney General. He was born in 1975.</p>

II. MANAGEMENT TEAM

No.	Name	Designation/ Area of responsibility
1	Prof. Geoffrey Wahungu, PhD	Director General
2	Mr. Kennedy Ochuka, B.Com, MBA, CPA (K)	Director Finance and Administration
3	Dr. Kennedy Ondimu, PhD	Director Environmental Planning & Research Coordination
4	Dr. Ayub Macharia, PhD	Director Environmental Education, Information and Public Participation
5	Ms. Irene Kamunge, LLB, LLM	Director Legal Services
6	Mr. Zephaniah Ouma, BSc, MSc	Ag. Director Compliance and Enforcement

1. CHAIRMAN'S STATEMENT

During the year 2014/15, the Authority excelled in its performance despite the various hurdles we faced. Despite this, I am happy to release the financial statements for the year ended 30th June 2015 on behalf of the NEMA board of management. Just like the last financial year, the Authority has shown surplus results. This has enabled the Authority to continue with its mandate despite myriad budgetary constraints encountered.

Revenues

During the financial year under review, the Authority realised revenues of KES 1.2 billion. This was almost the same as the total revenue realised last year.

I am glad to report that we were able to increase our revenue from Appropriations in Aid (AIA) collections from KES 473.5 million the previous year to KES 684.9 million in this financial year.

This marked an increase of 45% from the previous year. This remarkable result was a reflection of the efficiency in revenue collection methods and enhanced inspections. To sustain the Authority's financial sustainability and independence, this trend need to be maintained in the coming years.

Operations

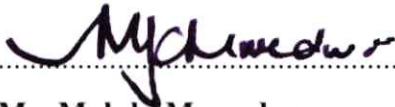
I am pleased to report the Authority was able to achieve most of the targets set for the financial year. We continued to work within our mandate as stipulated in the EMCA Act. In this regard, we issued licenses to proponents, undertook research activities related to environmental issues as well as created awareness in different sectors of the Kenyan economy. We also continued to embrace the spirit of devolution by working with the County governments especially in matters on waste management and noise. Subsequently, our performance in the Performance Contracting improved with a score of 2.961.

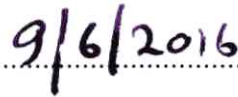
Surplus

The Authority operated within the budgetary allocation for the year under review. For the second financial year in a row, we have reported a surplus in our financial statements. We intend to maintain this financial discipline to enhance the sustainability of the Authority.

Appreciation

I wish to thank my colleagues in the Board of Management for their consistent support, the Government, all our stakeholders, development partners, and staff for their support to the Authority during the year under review.





Mr. Maluki Mwendwa

Date

Chairman

Nairobi

REPORT OF THE DIRECTOR GENERAL

Management of the environment has become the focal point for the government. With evidential negative effects of climate change, the need to management the environment has become an essential part of human life. On one hand, the constitution of Kenya under the Bill of rights states that every Kenya has a right to clean and healthy environment. On the other hand, the government had a duty to ensure that the necessary mechanisms are in place to provide the necessary needed clean and healthy environment. NEMA as the principle instrument of Government in the implementation of all policies relating to the environment has continued to implement its mandate to ensure proper management of environment in the country is upheld.

In this case, the Authority continued to undertake this mandate to ensure Kenyans have a better place to live in. despite the challenges faced, the Authority continued implementing its environmental management agenda in the development of the Country.

Revenue

During the year under the review, the Authority put in place solid measures for the financial sustainability of its operations. The allocations received from the exchequer have continued to decline over the years. Consecutively, the Authority has been compelled to put in place efficient measures to collect its own revenues for its operations. In the financial year ending 30th June, 2015, KES 374.1 million and KES 59 million were received from the Government as recurrent and development disbursements.

The Authority was however able to collect KES 684.9 million as Appropriation in Aid from licensing. This was an improvement of 45% over the KES 473.5 million collected previous year. This remarkable improvement was as a result of concerted efforts by members of the staff. This Authority intends to maintain this trend in the coming financial years.

The development partners disbursed KES 116.4 million. These development partners included Danida through the Natural Resource Management Programme (NRMP), the World Bank on the Kenya Coastal Development Programme (KCDP), and the United Nations through UNEP. The Authority intends to maintain and deepen these partnerships and bring in more development partners.

Expenses

The Authority's expenses were KES 1.214 billion. This represents 2% increase from last years of KES 1.187 billion. However, the increase compares favourably with overall revenue of KES 1.24 billion against KES 1.22 billion last year – an increase of 1%. The net effect was a surplus of KES 21.7 million. Staff costs still remain the major cost component accounting for 54% of total expenses.

PERFORMANCE CONTRACTING

The Authority participated in the 11th cycle of performance contracting. There was a marked improvement in its ranking compared to the previous period. The Authority attained a score of 2.961, being ranked as Very Good.

INNOVATION

The Authority has not been left behind in embracing technology and innovation in service delivery. The Authority has embraced the use of Information Communication Technology (ICT) in the provision of services. In the concluded, the Authority fully automated the Environmental Impact Assessment (EIA) process. This has made it easy to for proponents to file their license application as well as monitor the progress of the application online. This minimized time previously being taken to attain EIA licenses. The automation process is on progress until all processes are fully automated.

The Authority has also made it easy to for the public to pay for fees charged by the Authority. In collaboration with Safaricom Ltd, the MPESA services were incorporated as a payment method making the process very convenient. Moreover, the Authority implemented the payment of staff claims through the MPESA system reducing time wastage.

STATE OF ENVIRONMENT REPORTS

The National Environment Management Authority (NEMA) has been reporting on the State of the Environment for Kenya since 2003. The aim of this process is to undertake a comprehensive assessment of the environment of the Country. It encompasses presenting accurate and timely information on the state of the Environment and natural resources, identifying and documenting the causes of change and their subsequent impact. This mandate is provided for under section 9 of the Environment Management and Coordination Act EMCA No.8 of 1999 which is being reviewed in line with the Kenya Constitution of 2010.

The thematic areas in this SOE as analysed by the Driver-Pressure-State-Impact-Response(DIPSIR) and Opportunity Framework Analytical methods brings out the main elements that interplays in the Kenya's environment. The DPSIR process identifies the drivers and pressures causing environmental change including the impacts, state and the responses within the thematic sectors. The opportunity framework on the other hand identifies, the key environment assets, goods and an ecological service offered by each sector and identifies the main threats to the sector. Most important, the process identifies the main opportunities which can be used for future intervention for sustainability.

The Authority completed the State of the Environment Report (SOE) for the financial year 2012. The SOE for 2013 is on the pipeline and is estimated to be disseminated to the Authority's stakeholders.

ESTABLISHMENT OF GREEN POINTS

Green technology has become a common phenomenon in the recent past. The National Environment Management Authority has therefore come up with a novel idea of promoting the growth of green technologies in Kenya. This idea had been piloted in various Counties.

A Green Point is a concept that practically embraces the use of green economy and upholds the use of natural resources and energy while enabling economic growth that supports creation of jobs opportunities and improvement of livelihoods thus reducing poverty.

The concept of Green Economy stimulates green investments in and across various economic and social sectors. This investments help to reduce the natural capital and ecosystems. The establishment of these Green Points in Counties is already on high gear as three functional Green Points have already been lauched in HomaBay, Taita Taveta and Isiolo with other already in the completion stages.

The Green Points have been constructed through funding support from Denmark's development partnership arm - Danida.

EDUCATION AND AWARENESS CREATION

The Authority undertakes a core function of educating the public and creating environmental awareness in the country. This is done by engaging several stakeholders in diverse sectors of the economy, undertaking awareness activities, and meeting the general public. Some of the activities undertaken include:-

- Participation in ASK Shows and international trade fairs and educating the public on environmental matters of concern to them

- Stakeholders' meeting with the registered Environmental Experts and with them the Authority's vision as far as environmental assessment is concerned.
- Construction of Green Points to serve as resource centres for local communities in entrenching green technologies
- Holding the second national RCEs conference with all the RCEs in the country with a view to forge partnerships and learning experiences amongst them.
- Hosting and participation in World Clean-up Day, World Environment Day, World Oceans Day, World Wetlands Day and World Day to Combat Desertification.

PARTNERSHIPS

During the year, the Authority had the following development partners supporting its mandate:

- The Ministry of Environment, Water and Natural Resources
- Government of Denmark (Danida)
- United Nations Development Programme (UNDP)
- United Nations Environment Programme (UNEP)
- UNIDO
- UNFCCC
- World Bank
- Adaptation Fund Board

We are striving to bring more development partners on board.

CUSTOMER FOCUS

The Authority considers customers important in the success of operations. In this regard, processes have been designed and re-engineered to ensure that customer get the best service in the Authority. Customer complaints are resolved promptly. In the financial year under review, the Office of the Ombudsman awarded the Authority a score of 84%.

Moreover, the Customer Satisfaction Survey was conducted to identify NEMA's speed of service, quality of service, accessibility to customers, courtesy levels among employees, information of products/services and our adherence to the commitments set out in the Authority's service charter.

The customer satisfaction survey showed an improvement in satisfaction levels to 73.80% against a rating of 72.13% in the previous year.

EMPLOYEE RELATIONS

The Authority is committed to ensuring that there is an adequate work force to deliver on its mandate. During the year, 17 employees were recruited and joined the Authority in various positions and grades; out of which there were 10 male and 7 female (59% male: 41% female).

The Human Resource compliment in NEMA continues to play a critical role in the achievement of the organizational goals as stipulated in the 2013-2018 Strategic Plan.

The Authority has invested heavily in the human resource and especially Capacity Building/Development of Human Resource Capital. The Authority believes in equipping the staff with the necessary and the best skills for enhanced performance. This has continuously improved staff development. During the year, staffs were trained in many areas like corporate governance for both Board of Management, and several courses for the management and members of staff. The Authority also organized various workshops for the staff especially for preventive for HIV/ Aids at work place, gender, mainstreaming, alcohol and drug abuse prevention and defensive driving for the drivers.

The spirit of team work was also considered vital in the growth of the Authority's workforce. To achieve this, welfare activities like the end of year party where staffs were recognized for good performance. In addition several team building activities were done.

The organization structure did not change. For the motivation of staff, the Authority embarked on the review of Human Resource Manual and development of Career Progression Guidelines. These documents will be finalised in the next financial year.

The Authority has also adhered to the constitution requirement of not more than two thirds of staff being of one gender. There were 33% female and 67% male employees. The Authority also monitors the ethnic ratios to ensure regional balance in recruitment.

Work Environment and employee satisfaction

The Authority undertook several measures to enhance the working environment of staff. The Authority availed adequate working space to staff and purchased several equipment for use by the staff. In addition, the Authority launched the newly constructed Green Point offices in Homabay and Isiolo. Three more green points are near completion in Kajiado, Kilifi and Embu counties.

In order to enhance work place ambience, the Authority has put in place parking shades and disability lodge in the headquarters.

COMMITMENT TO QUALITY

The Authority retained its ISO 9001:2008 certification during the year under review. The Authority is committed to implementing a Quality Management System to ensure a clean, healthy, secure and sustainably managed environment for all by: Complying with the requirements of ISO 9001: 2008 Quality Management Systems, customer requirements, statutory and regulatory requirements; Ensuring that quality objectives are established, implemented and monitored at all levels of the Authority; Ensuring that the quality policy is communicated effectively and understood within the organization and periodically viewed for continued suitability. Continually improving the quality management system processes for efficiency and effectiveness.

We are committed to the continual improvement of Quality Management System (QMS) processes and services and compliance with the requirements of ISO 9001:2008 international standards to achieve customer satisfaction. The management installed Q-Pulse software in its endeavour to efficiently and effectively manage the certification activities and sustenance of the ISO 9001:2008. The Authority is committed to quality, timeliness, relevance to mandate, cost effectiveness and completion rate in the implementation of its projects.

Conclusion

I wish to take this opportunity to thank the Chairman and the Board of Management for their continued support throughout the year; I am glad to our development partners and to all our stakeholders for their unwavering trust, support and partnership. To the staff and management, I am deeply honoured to be a part of the NEMA team. I have no doubt that with your continued support and commitment; we shall continue delivering on our mandate of proving a clean and healthy environment that will impact more people with environmental management services in the coming years. The future of environment management is in our hands and we are the ones to steer its course.

.....

Prof. Geoffrey Wahungu
Director General

.....
9/6/2016
Date
Nairobi

V CORPORATE GOVERNANCE STATEMENT

Establishment and composition of the board:

The Board of Management of the National Environment Management Authority (NEMA) is established under Section 10 of the Environmental Management and Co-ordination Act (EMCA) No. 8 of 1999. It is made up of eight independent non-executive directors who consist of a Chairperson appointed by the President for a period of four years and seven directors appointed by the Minister of Environment for a period of four years. The other members of the Board are the Principal Secretary, Ministry of Environment and Natural Resources, the Director General, three Directors from within NEMA Management, Board Secretary appointed by the Board, the Principal Secretary, National Treasury, the Attorney General and the State Corporations (Inspectorate 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 which 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 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, financial, operational and compliance issues.

The day-to-day running of the operations of the Authority is delegated to the Director General but 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 professional, committed and guided by the mission, vision and core values of the Authority in the execution of their duties. At the end of each financial year, the Board, its Committees, individual directors and the Director General are evaluated by an independent body against targets agreed to at the beginning of the year.

Appointment of new board members

The Board was reconstituted on 27th April 2015 and had their first meeting on 19th May 2015 to transact first business. The Authority therefore had a functioning Board towards the end of the financial year.

Board Committees:

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

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

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 which include the scheme of establishment and career progression and terms and conditions of service for the staff of the Authority.

During the financial year, the following were the members of the Committee:

- a) Mr. Patrick Ngatia- Chairperson
- b) Principal Secretary Water and Natural Resources
- c) Director General
- d) Dr. Daniel Tuitoek
- e) Prof. Barnabas Mitaru

- f) The Attorney General
- g) Principal Secretary National Treasury

Audit, Governance and Risk Management Committee

The scope of this Committee includes risk management, as well as compliance with the regulatory requirements. The Audit Committee broadly oversees NEMA's standards of integrity and behaviour, reporting of financial information and internal control systems.

Its members were:

- a) Dr. Susan Mwamlole- Chairperson
- b) PS- Water and Natural Resources
- c) The Attorney General
- d) Principal Secretary National Treasury
- e) Ms. Caroline Sonje
- f) Mr. Charles Oluchina

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, management of compliance, enforcement policies and procedures, management of legal and legislative issues, advice on environmental impact assessment and audit policies and processes.

The Committee's membership was as follows:

- a) Prof. Barnabas Mitaru-Chairperson
- b) Dr. Daniel Tuitoek
- c) Mr. Patrick Ngatia
- d) Dr. Susan Mwamlole
- e) Director General
- f) Mr. Charles Oluchina
- g) Ms. Caroline Sonje

Meetings

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

Name	Regular Meetings	Special Meetings	Total Meetings
Board of Management	0	1	1
Finance and Human Resources	0	0	0
Audit, Governance and Risk Management	0	0	0
Environment Management and Conservation Technical Committee	0	0	0

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 2014/2015 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 ongoing 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 failings or weaknesses were identified during 2014/15.

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.

I. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Social and environmental responsibilities are an integral part of the Authority's practises. To ensure a harmonised and orderly approach to our CSR activities, we developed our CSR policy during the year.

We have over the years strived to mainstream environmental conservation in the development of the country so as to ensure the sustainable development of the country. In order to attain this, we have mainstreamed environmental sustainability in the performance contracts of all government institutions. We visit these institutions and assist them be more environmentally conscious in their activities. This is done at the Authority's cost.

We worked closely with the several communities especially the weak and vulnerable. Several activities to commemorate world environment events were organised and held with these communities.

During the financial year 2014/15, the Authority carried out the following CSR activities;

The Authority took part in the Ndakaini Half Marathon. This marathon was started under the auspices of Ndakaini Dam Environment Conservation Association (NDEKA).

The mission of NDEKA is to support sustainable supply of safe water to the Ndakaini dam, the source of water for Nairobi City, through conservation to the catchment area and the empowerment of the local community to develop viable social economic enterprise associated with the dam.

The Authority also sponsored the Lari Marathon which was themed, Save Kireita Forest on 28th March, 2015 in Limuru, Kiambu County. This event provided an opportunity for the Authority to give back to society as well as promote its corporate image. As one of the sponsors; NEMA got its own exhibition booth to undertake awareness creation to stakeholders. Staff also participated in the marathon.

The Authority also participated in the First Lady's Beyond Zero Half Marathon at Nyayo stadium.

Beyond Zero Foundation was formed to partner with the government in reducing maternal and child mortality. Spearheaded by The First Lady of the Republic of Kenya, Her Excellency Margaret Kenyatta, the Beyond Zero Campaign is part of the initiatives outlined in her strategic framework towards HIV control, promotion of maternal, new born and child health in Kenya. The event was held on 8th march 2015.

VII REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 30th June 2015, 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 net surplus for the year of KES 21,714,882 has been charged to Revenue Reserves.

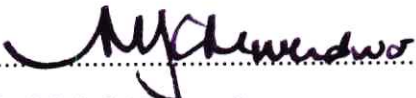
Directors

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

Auditor

The Auditor-General is responsible for the statutory audit of the Authority's books of account in accordance with Section 14 of the Public Audit Act, 2003. The Auditor General continues in office in accordance with the Public Audit Act, 2003.

FOR AND ON BEHALF OF THE BOARD OF MANAGEMENT.



Mr. Maluki Mwendwa
Chairman



Date
Nairobi

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 68 of the Public Finance Management Act, 2012 and section 15 of the State Corporations Act, require the Directors to prepare financial statements in respect of the Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year/period and the operating results of the Authority for that year/period. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

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, 2015. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (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 Authority; (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 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 Authority's transactions during the financial year ended June 30, 2015, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, 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 Authority will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

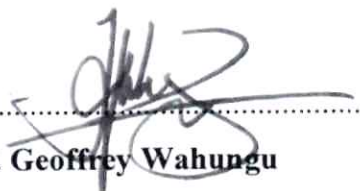
The Authority did not have a functional board of management as at the time of signing the statements. The terms of most board of management members lapsed in January 2014 and the board of management had not been reconstituted as at the date of signing the statements.

The Authority's financial statements were reviewed by the Director General and one of the remaining members of board of management and signed on.....9/6/2016



.....
Mr. Maluki Mwendwa
Chairman

Date.....9/6/2016



.....
Prof. Geoffrey Wahungu
Director General

Date.....9/6/2016



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of National Environment Management Authority set out on pages 1 to 22, which comprise the statement of financial position as at 30 June 2015, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of compliance 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 14 of the Public Audit Act, 2003. 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.

Management's Responsibility for the Financial Statements

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 such 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.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 of the Public Audit Act 2003 and submit the audit report in compliance with Article 229 (7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

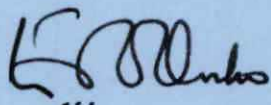
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity preparation and fair presentation of the financial statements in order to design audit procedures that

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of National Environment Management Authority as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Environment and Coordination Act, 1999 of the Laws of Kenya.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

29 July 2016

X STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2015

	Note	2015 KShs	2014 KShs
Revenue from non-exchange transactions			
Government grants - recurrent	3	374,156,013	373,555,994
Government grants - EMCA Agencies recurrent	3	-	45,175,059
Government grants - development	4	59,010,000	65,900,000
Government grants - EMCA Agencies development	4	-	30,780,000
Donor funds	5	116,458,555	214,202,965
		<u>549,624,568</u>	<u>729,614,018</u>
Revenue from exchange transactions			
Revenue receipts	6	684,966,680	473,489,931
Interest received	7	928,972	800,004
Other income	8	563,601	19,482,116
		<u>686,459,253</u>	<u>493,772,050</u>
Total revenue		<u>1,236,083,822</u>	<u>1,223,386,069</u>
Expenditure			
Staff costs	9	652,630,491	628,950,127
Administrative costs	10	247,971,581	225,580,482
Board expenses	11	8,135,495	14,839,642
EMCA Agencies	12	6,123,377	60,365,885
Project expenses	13	224,690,783	179,019,419
Depreciation expense	14	26,974,367	30,858,902
Repairs and Maintenance	15	26,438,024	25,379,793
Utilities	16	21,404,822	22,692,444
Total Expenditure		<u>1,214,368,940</u>	<u>1,187,686,692</u>
Surplus		<u>21,714,882</u>	<u>35,699,376</u>

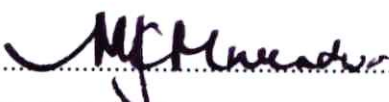
The notes set out on pages 8 to 21 form an integral part of the Financial Statements.


II. STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	2015 KShs	2014 KShs
Assets			
Current assets			
Cash and cash equivalents	17	537,797,484	377,673,941
Receivable from non-exchange transactions	18	91,084,765	160,748,965
Inventories	19	4,154,525	6,740,700
		<u>633,036,774</u>	<u>545,163,606</u>
Non-current assets			
Property, plant and equipment	20	267,667,108	140,237,460
Capital Work in Progress		12,000,000	14,772,608
		<u>279,667,108</u>	<u>155,010,068</u>
Total assets		<u>912,703,882</u>	<u>700,173,673</u>
Liabilities			
Current liabilities			
Payables from exchange transactions	21	291,019,672	282,317,035
Employee benefits obligations	22	38,319,418	17,484,879
Provisions	23	43,828,608	54,429,683
Total liabilities		<u>373,167,697</u>	<u>354,231,598</u>
Net assets		<u>539,536,185</u>	<u>345,942,076</u>
Equity			
Capital Fund	24	175,472,531	175,472,531
Revenue Reserves	24	226,424,103	170,469,545
Revaluation Reserves	24	137,639,550	-
Total equity		<u>539,536,185</u>	<u>345,942,076</u>

The Financial Statements set out on pages 1 to 22 were signed on behalf of the Board of Directors by:


.....
Mr. Maluki Mwendwa
Chairman


.....
Prof. Geoffrey Wahungu
Director General

Date..... 9/6/2016.....

Date..... 9/6/2016.....

XII STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30 June 2015

	Note	Accumulated Fund KShs	Revenue Reserve KShs	Revaluation Reserve KShs	Total KShs
At 1st July 2013		175,472,531	117,706,321	-	293,178,852
Prior year adjustment		-	17,063,848	-	17,063,848
Net surplus for the year		-	35,699,376	-	35,699,376
At 30th June 2014		175,472,531	170,469,545	-	345,942,076
At 1st July 2014		175,472,531	170,469,545	-	345,942,076
Prior year adjustment	25	-	34,239,677	-	34,239,677
Revaluation surplus	20	-	-	137,639,550	137,639,550
Net surplus for the year		-	21,714,882	-	21,714,882
At 30th June 2015		175,472,531	226,424,103	137,639,550	539,536,185

7. STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

	Notes	2015 KShs	2014 KShs
Cash flows from operating activities			
Surplus for the year		21,714,882	35,699,376
Adjustments for:			
Tax expense		345,936	354,924
Interest received	7	(928,972)	(800,004)
Depreciation of property, plant and equipment	20	26,974,367	30,858,902
Prior year adjustment	25	34,239,677	17,063,848
Operating profit before working capital changes		82,345,889	83,177,046
Changes in operating assets and liabilities			
(Increase) / Decrease in trade and other receivables		69,664,200	(120,264,526)
Increase/ (decrease) in trade payables from exchange transactions		8,702,636	74,583,207
Increase/(decrease) in Employee benefits obligations		20,834,538	140,349
Increase/(decrease) in Provisions		(10,601,075)	(18,425,448)
Increase/ (decrease) in inventories		2,586,175	(6,740,700)
Cash generated from operations		173,532,363	12,469,929
Tax paid		(345,936)	(354,924)
Net cash from operating activities		173,186,428	12,115,005
Cash flows from investing activities			
Purchase of property, plant and equipment	20	(13,991,857)	(8,447,120)
Adjustment: overstated asset		-	1,349,544
Interest received	7	928,972	800,004
Net cash used in investing activities		(13,062,885)	(6,297,573)
Net increase (decrease) in cash and cash equivalents		160,123,543	5,817,432
Cash and cash equivalents at start of year		377,673,941	371,856,509
Cash and cash equivalents at end of year		537,797,484	377,673,941

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget and Final Budget	Actual on comparable basis	Performance difference
	2014-2015	2014-2015	2014-2015
Revenue	KShs	KShs	KShs
GOK - Recurrent	374,156,013	374,156,013	-
GOK - Development	70,000,000	59,010,000	(10,990,000)
A-IN A 2014/15	478,000,000	684,966,680	206,966,680
NRM	147,100,000	87,598,188	(59,501,812)
KCDP	111,100,000	11,490,365	(99,609,635)
NCNSA	-	10,300,456	10,300,456
SNC	-	3,653,199	3,653,199
ABS	-	2,835,538	2,835,538
TNA	-	12,330	12,330
GIZ Proklima(Germany)	-	568,480	568,480
UNEP GEF	38,700,000	-	(38,700,000)
PRIOR YEAR A-I-A	97,000,000	-	(97,000,000)
Other income	-	1,492,573	1,492,573
Total income	1,316,056,013	1,236,083,822	(79,972,191)
Expenses			
Basic Salary	342,010,508	341,968,166	42,342
House Allowance	88,375,308	88,330,400	44,908
Responsibility Allowance	9,559,000	9,550,441	8,559
Commuter Allowance	32,612,728	32,600,992	11,736
Entertainment Allowance	5,578,000	5,542,667	35,333
Leave Allowance	11,016,404	10,999,485	16,919
Extraneous Allowance	3,432,000	3,405,710	26,290
Acting Allowance	900,868	894,935	5,933
Special Duty Allowance	1,566,760	1,563,268	3,492
Hardship Allowance	5,900,000	5,878,516	21,484
Pension Payments	60,393,468	60,371,879	21,589
NSSF Payments	900,000	884,600	15,400
Gratuity Payments	3,943,216	3,940,933	2,283
Casual Wages	1,600,000	1,551,622	48,378
Transfer/Buggage Allowance	4,065,000	4,062,303	2,697
Intern Allowances	8,568,740	8,268,732	300,008
Assistance Allowance	110,000	90,000	20,000
Staff Welfare	5,996,013	5,837,757	158,256
Medical Expenses	153,000	145,700	7,300
Staff Uniforms	417,000	393,250	23,750
Professional Subscription Fees	500,000	488,170	11,830
Mobile Phone Air-Time	8,730,000	8,698,441	31,559
Internet Expenses-ISP	5,380,000	5,346,223	33,777
Postage Expenses	5,580,000	5,550,892	29,108
Stationery Expenses	4,900,000	4,804,603	95,397
Data Processing Stationery	3,000	2,000	1,000
Computer Accessories	8,000,000	7,985,527	14,473
Newspaper and Periodicals	1,449,500	1,408,705	40,795

National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2015

Books	3,500	3,130	370
Cleaning Expenses	2,079,000	2,050,067	28,933
Sanitary Expenses	980,000	976,091	3,909
Catering/Entertainment Service	230,000	220,267	9,733
Other Office Running	2,348,000	2,335,348	12,652
Training Fees	4,550,000	4,538,225	11,775
Seminars, Workshops, Conferences	6,116,000	6,057,846	58,154
Participation Allowance	1,200,000	1,148,962	51,038
Internal Travel Allowance	57,560,000	57,509,656	50,344
Accommodation Expenses	4,400,000	4,357,327	42,673
Staff Mileage/Fare Claims	260,000	236,148	23,852
Air Tickets Internal	1,168,000	1,132,475	35,525
Taxi Charge	7,900,000	7,827,623	72,377
Travelling Expenses	69,000	67,470	1,530
Supper/Lunch Claims	610,000	578,706	31,294
Air Tickets External	600,000	547,669	52,331
External Travel Allowance	6,040,000	6,018,907	21,093
Fuel Expenses	22,500,000	22,445,580	54,420
Motor Repairs and Maintenance	14,400,000	14,357,742	42,258
Parking Fees	30,000	28,640	1,360
Motor Vehicle Accessories	25,000	20,000	5,000
Motor Insurance	5,964,500	5,960,532	3,968
All Risks	140,000	115,819	24,181
Medical Insurance Hospital	46,900,000	46,856,202	43,799
Group Personal Accident	2,300,000	2,258,358	41,642
Group Life	3,950,000	3,878,628	71,372
Fidelity	120,000	104,508	15,492
Audit fees	600,000	580,000	20,000
Legal Fees	10,940,000	10,781,642	158,358
Management Consultancies	2,800,000	2,733,330	66,670
Corporation Tax	350,000	345,936	4,065
Printing/Photocopying	1,386,000	1,309,089	76,911
Advertising-Print & Electronic	383,000	381,890	1,110
Publicity Materials	500,000	483,500	16,500
Awareness	211,000	209,950	1,050
Publicity Costs	2,000,000	1,929,538	70,462
Corp Social Responsibility-CSR	500,000	434,954	65,046
Sitting Allowance	3,560,000	3,553,690	6,310
Accommodation Allowance	2,160,000	2,151,657	8,343
Lunch Allowance	150,000	-	150,000
Travelling Reimbursement	130,000	129,157	843
Honoraria	960,000	960,000	-
Insurance-Medical	300,000	277,652	22,348
Air Tickets-Internal	600,000	376,140	223,860
Airtime	240,000	200,000	40,000
Training	560,000	487,200	72,800
Rent	19,050,000	18,982,919	67,081
Water	170,000	157,672	12,328
Electricity	1,700,000	1,651,594	48,406
Security	6,700,000	6,656,810	43,190

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Office Equipment	1,030,000	1,021,796	8,204
Office Building	10,740,000	10,652,162	87,838
Computer Maintenance & Repairs	360,000	357,684	2,316
Bank Charges	1,949,100	1,906,530	42,570
Other Bank Charges	900	780	120
Depreciation Expenses	-	26,974,367	(26,974,367)
EIA Review Allowance	5,550,000	5,515,922	34,078
EIA Facilitation	12,050,000	12,020,882	29,118
Public Participation	400,000	233,800	166,200
SOE Expenses	5,700,000	3,195,233	2,504,767
CEAP Expenses	4,620,000	4,605,801	14,199
NEAP Expenses	1,230,000	324,000	906,000
Environmental Restoration	6,400,000	1,110,752	5,289,248
Environmental Rehabilitation	14,000,000	10,773,129	3,226,871
Environmental Awareness	5,083,400	2,074,858	3,008,542
Field Operation Expenses	35,885,100	35,814,924	70,176
NRM Expenses	147,100,000	179,005,777	(31,905,777)
KCDP Expenses	111,100,000	13,451,570	97,648,430
River Sosiani Basin Expenses	-	8,077,401	(8,077,401)
IDF World Bank Expenses	-	430,549	(430,549)
GTZ ODS Expenses	-	227,000	(227,000)
UNFCCC SNCC Expenses	-	6,314,549	(6,314,549)
UNFCC TNA Expenses	-	8,250	(8,250)
NCNSA Expenses	-	10,327,353	(10,327,353)
UNEP GEF Expenses	38,700,000	1,598,620	37,101,380
ABS Expenses	-	2,810,735	(2,810,735)
UNIDO Expenses	-	2,203,340	(2,203,340)
Adaptation Fund (NIE) Expenses	1,000,000	235,639	764,361
National Env. Trust Fund	-	6,123,377	(6,123,377)
Cost of furniture	1,800,000		1,800,000
Cost of Computer Equipment	7,940,000		7,940,000
Cost of Office Equipment	384,000		384,000
Cost of Land and Buildings	23,000,000		23,000,000
Cost of Softwares	10,000,000		10,000,000
Total expenditure	1,316,056,013	1,214,368,940	101,687,073
Surplus for the period	-	21,714,882	21,714,882

XVI. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation – IPSAS 1

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity. The accounting policies have been consistently applied to all the years presented.

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

2. 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 collected KES 684.9 million from licence fees compared to KES 473.5 million in previous year (45% increase). This was mainly attributed to enhanced field inspections leading to more compliance.

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.

The total revenue received from government and other development partners was KES 549.6 million compared to KES 729.6 million in previous year (24.7% decrease). This decrease was mainly attributed to disbursement of other EMCA agencies grants directly to them and not through the Authority. The Authority takes cognisance of KES 59 million development funds received during the financial year compared to KES 65.9 released in the previous year (10.5% decrease)

ii) Revenue from exchange transactions – IPSAS 9

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

Interest income

An amount of KES 928,972 was received as interest from bank balances held in various savings accounts of the Authority. This is compared to KES 800,004 in previous year. Interest received is earned annually in December when the said banks end their calendar year.

Rental income

The Authority has rented out canteen services and received KES 240,000 during the year. Same amount was received last financial year. Rent is earned at the end of every quarter of the financial year.

Donor funds

An amount of KES 116,398,555 was received from various donors. The donations are recognised by the Authority when received.

b) Budget information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the 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.

With the passing and subsequent enactment of the Public Finance Management Act No. 18 of 2012, NEMA is no longer exempted from income tax as previously stipulated in the Financial Management Act No. 5 of 2004. The Authority has complied with this requirement and paid instalment tax of KES 345,936.

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 13.9 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 included in list of 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. During the year the Authority had a closing stock of consumable stock valued at KES 4.2 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 for provisions of goods and services amounting to KES 43.8 million.

Contingent liabilities

The Authority recognizes 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.

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 if retrospective application is impractical.

i) Employee benefits – IPSAS 25

Retirement benefit plans

The Authority provides retirement benefits 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) 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. In the balance sheet, bank overdrafts are included within borrowings in current liabilities.

k) Comparative figures

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

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 the reducing balance 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%
Land & buildings	2.5%

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

l) 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, 2015.

m) 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.

	2015	2014
	KShs	KShs
3. Government grant - recurrent		
National Environment Management Authority	374,156,013	373,555,994
National Environment Trust Fund	-	45,175,059
	<u>374,156,013</u>	<u>418,731,053</u>

	2015	2014
	KShs	KShs
4. Government grant-development		
National Environment Management Authority	59,010,000	65,900,000
National Environment Trust Fund	-	30,780,000
	<u>59,010,000</u>	<u>96,680,000</u>

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5 Donor Funds	2015 KShs	2014 KShs
DANIDA-NRM Project	87,598,188	170,000,000
KCDP	11,490,365	8,736,000
UNEP NCNSA	10,300,456	21,382,028
UNEP General - SNC	3,653,199	3,025,050
Other Donor funds	2,847,868	5,193,965
GIZ Proklima(Germany)	568,480	3,315,000
UNEP-UNIDO	-	2,550,922
	<u>116,458,555</u>	<u>214,202,965</u>
6 Revenue receipts	2015 KShs	2014 KShs
EIA Registration fees	12,083,497	14,239,353
Water Quality	65,258,350	46,423,200
Waste Management	16,889,872	12,212,516
Biodiversity	50,000	294,040
Ozone Depleting Substances	222,500	249,500
Noise Pollution	1,473,500	7,988,950
EIA Income	469,787,830	330,343,860
Direct bank credits	119,201,131	61,738,512
	<u>684,966,680</u>	<u>473,489,931</u>
	2015 KShs	2014 KShs
7 Interest received	<u>928,972</u>	<u>800,004</u>
8 Other Incomes	2015 KShs	2014 KShs
Sale of Tender Documents	-	336,860
Canteen Services	240,000	240,000
Sale of Obsolete Stock/Furn/Eq	-	956,389
Donations	50,000	-
Miscellaneous Income	273,601	17,948,867
	<u>563,601</u>	<u>19,482,116</u>
Expenditure	2015 KShs	2014 KShs
9 Staff Costs		
Personal Emoluments	514,707,237	495,874,512
Employer's Pension/Gratuity	64,312,812	63,245,622
Employer's NSSF Contribution	884,600	1,196,600
Recruitment Expenses	-	476,820
Training Expenses	11,745,033	12,343,333
Insurance Expense	53,213,515	51,777,650
Staff welfare expenses	5,837,757	3,615,589
Human Resources policy	1,929,538	420,000
	<u>652,630,491</u>	<u>628,950,127</u>
	2015 KShs	2014 KShs
10 Administrative expenses		
Local Travelling & Accommodation	71,709,404	45,483,920
Foreign Travelling & Accomodation	6,566,576	9,225,376
Publishing & Printing	1,309,089	2,219,000

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Advertising & Publicity	1,099,190	1,043,422
Trade Shows & Exhibitions	209,950	3,581,604
Media Profiling & Campaign	-	778,875
Rent	18,982,919	21,578,669
National Environment Action Plan	4,929,801	1,677,935
Regional/ County Environment & Operation Expenses	35,814,924	22,429,592
State of the Environment Expenses	3,195,233	1,707,962
Celebration of Official Ceremonies	-	2,545,162
Environment clean-ups	-	136,900
EIA Expenses	17,536,804	38,424,069
CDE's capacity building	-	22,500
Corporate social responsibility	434,954	24,800
General Staff meeting expenses	-	2,156,865
Medical Expenses	145,700	-
Insurance Expenses	5,960,532	4,590,402
Purchase of Uniform	393,250	58,500
Purchase of Photographic Materials	-	24,670
Office & General Supplies & Services	19,785,738	12,654,305
Fuel and lubricants	22,445,580	28,058,237
Provision for Audit fees	580,000	522,000
Contracted Professional. Services	13,514,972	3,679,221
Annual Professional Membership fees	488,170	287,860
Restoration Expenses	13,958,739	10,582,961
Mid-Term Review of NEMA Plan	-	1,895,680
HIV/AIDS policy Expenses	-	79,500
Anti corruption Expenses	-	358,300
Occupational Health and Safety expenses	-	480,840
VAT Expenses-Purchases	-	66,759
ICT Expenses	-	2,617,640
Security	6,656,810	4,397,405
Corporation tax	345,936	354,924
Bank charges	1,907,310	1,834,628
	<u>247,971,581</u>	<u>225,580,482</u>
	2015	2014
11 Board expenses	KShs	KShs
Board and Committee Expenses	6,897,843	13,589,842
Honoraria	960,000	960,000
Medical Insurance cover	277,652	289,800
	<u>8,135,495</u>	<u>14,839,642</u>
	2015	2014
12 EMCA Agencies	KShs	KShs
National Environment Trustfund Expenses	6,123,377	60,365,885
	<u>6,123,377</u>	<u>60,365,885</u>
	2015	2014
13 Project expenses	KShs	KShs
UNEP NCSA Project expenses	10,327,353	4,628,492
NRM DANIDA Project expenses	179,005,777	155,467,563
UNEP-GEF Project expenses	1,598,620	1,195,952
IDF World Bank Grant	430,549	2,048,449

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EU-CBF Project expenses	-	275,241
African Union Commission	-	9,483
UNEP-WIOLab Project Expenses	-	29,400
GTZ Ozone Depleting Substances	227,000	-
River Sosiani Basin Expenses	8,077,401	-
KCDP World Bank Project expenses	13,451,570	4,953,432
Access & Benefit Sharing Expen.	2,810,735	1,135,880
UNIDO Expenses	2,203,340	4,897,567
UNFCCC SNCC Expenses	6,314,549	3,283,143
UNFCC TNA Expenses	8,250	1,094,818
Adaptation Fund (NIE) Expenses	235,639	-
	<u>224,690,783</u>	<u>179,019,419</u>
14 Depreciation expense	2015	2014
	KShs	KShs
Property, plant and equipment	26,974,367	30,858,902
	<u>26,974,367</u>	<u>30,858,902</u>
15 Repairs and Maintenance	2015	2014
	KShs	KShs
Plant	10,652,162	7,386,194
Equipment	1,021,796	1,707,612
Furniture	-	23,500
Computer and networks	357,684	3,238,326
Vehicles	14,406,382	13,024,161
	<u>26,438,024</u>	<u>25,379,793</u>
16 Utilities	2015	2014
	KShs	KShs
Electricity Expenses	1,651,594	1,138,007
Water & Conservancy	157,672	60,836
Telephone Expenses	8,698,441	9,311,473
Internet Services	5,346,223	5,058,045
Postal & Telegrams	5,550,892	7,124,083
	<u>21,404,822</u>	<u>22,692,444</u>
17 Cash and Bank Balances	2015	2014
	KShs	KShs
a) Bank Balances		
Development Account	149,491,167	64,999,478
Restoration Account	35,273,920	35,067,248
KCB- Revenue Account	158,419,059	152,712,411
KCB Gateway-Recurrent Account	25,316,633	5,006,155
KCB Gateway-EPS Project Account	216	1,546
Coop-Revenue Account	10,853,237	10,663,903
NCNSA Project account	8,704,690	15,320,807
UNEP-Capacity Building Facility (Biodiversity)	3,683,251	3,687,871
NRM - Recurrent Account	122,351,055	63,023,843
Pension Account	5,319,279	5,333,584
ABS Project Account	300,092	3,135,630
Co-op bank - NEMA BBF	-	2,066,162

SNC Project Account	6,047,788	3,330,987
TNA Project Account	188,773	201,103
Kenya Coastal Development Project	9,208,859	12,204,312
	<u>535,158,019</u>	<u>376,755,040</u>

b) Cash in Hand		
NEMA	<u>500,000</u>	<u>500,000</u>

c) Mpesa Holding		
Mpesa	<u>2,139,465</u>	<u>418,901</u>

Total Cash and bank balance	<u>537,797,484</u>	<u>377,673,941</u>
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18 Trade and other receivables

	2015	2014
	KShs	KShs
Outstanding Imprest - NEMA	78,825,584	59,974,450
Outstanding Imprest - PCC	675,510	675,510
Payroll Imprest deduction	43,000	81,060
Other debtors	11,540,671	15,017,945
Grant Receivable	-	85,000,000
	<u>91,084,765</u>	<u>160,748,965</u>

19 Inventories

	2015	2014
	KShs	KShs
Consumable stores	4,154,525	6,740,700
	<u>4,154,525</u>	<u>6,740,700</u>

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20 Property, plant and equipment

	Capital Work in progress	Land and buildings	Motor Vehicles	Furniture & Fittings	Computers & printers	Intangible assets	Office & other equipment	Total
	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs
		2.5%	25%	12.5%	30%	30%	12.5%	
Cost								
1st July 2013	14,772,608	37,275,606	175,227,648	46,949,811	103,167,297	4,000,000	30,872,273	408,265,243
Adjustments: Prior					(1,927,920)			(1,927,920)
Additions		641,860	579,216	873,816	5,856,483		495,745	8,447,120
30th June 2014	14,772,608	37,917,466	175,806,864	47,823,628	103,095,860	4,000,000	31,368,018	414,784,443
Accumulated depreciation								
1st July 2013	-	1,887,548	123,354,444	21,734,060	66,807,331	2,628,000	13,082,466	229,493,850
Adjustments: Prior					(578,376)			(578,376)
Charge for the year	-	900,748	13,113,105	3,261,196	10,886,559	411,600	2,285,694	30,858,902
30th June 2014	-	2,788,296	136,467,549	24,995,256	77,115,514	3,039,600	15,368,160	259,774,375
Carrying amount								
30th June 2014	14,772,608	35,129,169	39,339,315	22,828,371	25,980,346	960,400	15,999,858	155,010,068
Cost								
1st July 2014	14,772,608	37,917,466	175,806,864	47,823,628	103,095,860	4,000,000	31,368,018	414,784,443
Additions	(10,836,584)	10,836,584	-	922,595	4,879,162	2,581,750	5,608,350	13,991,857
30th June 2015	3,936,024	48,754,050	175,806,864	48,746,223	107,975,022	6,581,750	36,976,368	428,776,300
Accumulated depreciation								
1st July 2014	-	2,788,296	136,467,549	24,995,256	77,115,514	3,039,600	15,368,160	259,774,375
Charge for the year	-	1,149,144	9,834,829	2,968,871	9,257,853	1,062,645	2,701,026	26,974,367
30th June 2015	-	3,937,440	146,302,377	27,964,127	86,373,366	4,102,245	18,069,186	286,748,742
Carrying amount								
30th June 2015	3,936,024	44,816,610	29,504,486	20,782,095	21,601,656	2,479,505	18,907,182	142,027,558
Revalued amount								
30th June 2015	12,000,000	79,500,000	95,270,000	39,377,250	27,134,472	6,581,750	19,803,636	279,667,108
Revaluation surplus								
30th June 2015	8,063,977	34,683,390	65,765,514	18,595,155	5,532,816	4,102,245	896,454	137,639,550

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21 Trade and other payables from exchange transactions	2015	2014
	KShs	KShs
VAT Payable	4,104,804	1,620,009
Other Payables	34,533,752	32,803,101
Sundry Creditors	105,579,859	135,547,651
Netfund Payables	-	11,524,941
Unspent donor funds	146,801,257	100,821,333
	<u>291,019,672</u>	<u>282,317,035</u>
	2015	2014
	KShs	KShs
Breakdown of Unspent donor funds		
NRM	122,351,055	62,949,243
ABS	300,092	3,135,630
NCNSA	8,704,690	19,005,146
KCDP	9,208,859	12,199,224
SNC	6,047,788	3,330,987
NEMA TNA PROJECT	188,773	201,103
	<u>146,801,257</u>	<u>100,821,333</u>
	2015	2014
	KShs	KShs
22 Employee benefits obligations		
NEMA Staff Welfare	-	2,066,162
NEMA Staff Housing Scheme	1,230,500	1,152,500
Loan Deduction Payable	3,459,132	2,269,392
Pension Fund Payable	7,483,970	9,340,530
Provision for gratuity	2,656,296	2,656,296
Assurance Cover Payable	23,489,520	-
	<u>38,319,418</u>	<u>17,484,879</u>
	2015	2014
	KShs	KShs
23 Provisions		
General provisions	43,828,608	54,429,683
	<u>43,828,608</u>	<u>54,429,683</u>
	2015	2014
	KShs	KShs
24 Reserves		
Accumulated Fund		
At start of the year	175,472,531	175,472,531
At end of the year	<u>175,472,531</u>	<u>175,472,531</u>
	2015	2014
	KShs	KShs
Revenue Reserve		
At start of the year	170,469,542	117,706,321
Prior year Adjustment	34,239,674	17,063,845
Surplus	21,714,882	35,699,376
At end of the year	<u>226,424,098</u>	<u>170,469,542</u>
	2015	2014
	KShs	KShs
Revaluation Reserve		
At start of the year	-	-
Revaluation surplus	137,639,550	-
At end of the year	<u>137,639,550</u>	<u>-</u>

25. Prior year adjustments – IPSAS 3

The prior year adjustments amounting to KES 34,239,677 relates to provisions made in previous periods which have since not been claimed because the services/goods have not been supplied. Further, the statement of cash flow was adjusted with the same amount being non-cash items relating to the prior year adjustment since there was no actual movement of cash outflow and the Authority does not expect outflow of economic resources in future.

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

An amount of KES 10.7 Million under contingent liabilities of probable employee legal cases is recognized by the Authority.

The Authority received KES 447,051,055 from the Adaptation Fund to be used for mitigating climate change effects in the country. The use of these funds has not been cleared by The National Treasury. The Funds are in the Authority's bank account awaiting the approval to spend. It is anticipated that the approval will be granted in the next financial year.

27. 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 six key managers' remuneration for the financial year ended June 30, 2015 was KES 23,502,061. The Authority received KES 374,156,013 from the parent ministry as recurrent funds. An amount of KES 59,010,000 was also received from the parent ministry as development funds.

28. 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:

29. Revaluation of Assets-IPSAS 17

The Authority revalued its assets and the amounts reported per each class of the assets in the financial statement were measured at fair value. The increase in carrying amount of each class of assets was credited directly to revaluation surplus. The revaluation increase relating to assets within a class was offset against another within that class.

30. Contingent Asset-IPSAS 19

The Authority recognizes KES 447,051,055 likely receipt from the adaptation fund. However at the time of preparing this financial statement, the Authority was still pursuing approval from the National Treasury to receipt these funds and such approval had not been granted.

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.

31. 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

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	Kshs
At 30 June 2015	
Cash at bank	537,797,484
Receivables	91,084,765
	<u>628,882,249</u>
At 30 June 2014	
Cash at bank	376,755,040
Receivables	160,748,965
	<u>537,504,005</u>

(d) Liquidity risk management

The Authority's liquidity risk result from her probable inability to collect adequate appropriation in aid through licensing fees to supplement the continual lower funding by the Government. The Authority has successfully managed this risk through enhancement of licensing revenue with an increase in collection of 43% from the previous financial year. This trend is likely to continue into the foreseeable future.

(e) Market risk management

The Authority takes on exposure to market risk, which is the risk of changes in market prices and interest rates. 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.

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 rate