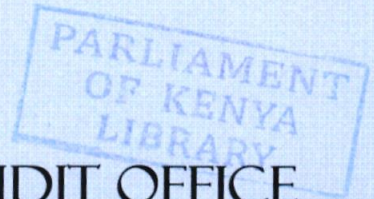


REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE



Paper Laid
By Hon. K. Duale, MP
on Thurs. 09.07.2015
MMW

REPORT
OF
THE AUDITOR-GENERAL
ON
THE FINANCIAL STATEMENTS OF
NATIONAL ENVIRONMENT MANAGEMENT
AUTHORITY

FOR THE YEAR ENDED
30 JUNE 2014



NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2014

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

I. KEY ENTITY INFORMATION AND MANAGEMENT ii

II. THE BOARD OF DIRECTORS vi

III. MANAGEMENT TEAM x

IV. CHAIRMAN'S STATEMENT xi

V. REPORT OF THE DIRECTOR GENERAL xii

VI. CORPORATE GOVERNANCE STATEMENT xviii

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT xxv

VIII. REPORT OF THE DIRECTORS xxvi

IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES xxviii

X. REPORT OF THE INDEPENDENT AUDITORS ON NATIONAL ENVIRONMENT
MANAGEMENT AUTHORITY xxix

XI. STATEMENT OF FINANCIAL PERFORMANCE 1

XII. STATEMENT OF FINANCIAL POSITION 2

XIII. STATEMENT OF CHANGES IN NET ASSETS 3

XIV. STATEMENT OF CASH FLOWS 4

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS 5

XVI. NOTES TO THE FINANCIAL STATEMENTS 8

XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS 23

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:

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

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2014 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 arrangements is the Board of Management. Other Government bodies also provide oversight.

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

Finance and Human Resource Committee

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

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

Public Investments Committee

The Public Investments Committee examines the reports and accounts of public investments; examines the reports, if any, of the Controller and Auditor General on the public investments; and examines, in the context of the autonomy and efficiency of the public investments, whether the affairs of the public investments, are being managed in accordance with sound financial or business principles and prudent commercial practices:

(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.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

II. 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.
Kulamo Bulo	Vice Chairperson (Left in January 2014): She holds MA (Communication) and a Bed. (Arts) degrees and has extensive experience in the education sector, having worked and grown through the ranks to become the Chief Editor, E-Books at the Kenya Literature Bureau. In her work as an editor, she has focussed on audience analysis and understanding of the current themes and issues both in public and the education sector. She has served as a part-time lecturer in the School of Communication at Daystar University to imparting knowledge on public speaking, interpersonal and group communication while mentoring students. Kulamo was appointed to the Board in February 2010. She left the Board in January 2014. She was born in 1974.
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

*National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2014*

	<p>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.</p>
Dr. Richard Lesiyampe	<p>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.</p>
Dr. Kamau Thugge	<p>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.</p>
Sam Ogutha	<p>Left in January 2014: He holds an MBA; Bachelor of Commerce (Finance & Accounting) degree; and is a Certified Public Accountant (CPA) and a Fellow Certified Public Secretary (FCPS). He is a past Chairman of the Institute of Certified Public Secretaries of Kenya (ICPSK) and a past President of International Federation of Company Secretaries (IFCS) and a Council Member of the Association of Professional societies in East Africa (APSEA). Mr. Ogutha has conducted a number of seminars on Corporate Governance, Performance Management, and Leadership for a number of organizations. He has presented a number of papers on management at international forums. He has worked in the private sector for over 25 years and gained vast managerial experience with the Nation Media Group, Total Kenya Limited, World Space Corporation, Boots Pharmaceuticals and Achelis Kenya Limited. He has consulted widely in the private and public sectors. He was appointed to the Board in 2010. He was born in 1949.</p>
Rosemary Murugu	<p>Left in January 2014: She holds a Bachelors of Arts degree in Economics and Sociology, and a Masters of Arts degree in Environmental Planning</p>

	and Management both from the University of Nairobi. She has attended several other courses locally and internationally. She has a wealth of experience in the management of rural industrial and service development programmes and project planning and management. She previously worked with the Kenya Industrial Estates. She is a director of several companies and is actively involved in community development issues. She joined the Board in 2010.
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.
Benjamin Malwa	Left in November 2013: He holds a BSc and MSc degrees in chemistry. He previously worked at the Nairobi City Council as the Chief Chemist. He has wide experience in environmental management. He joined the Board in 2007. He was born in 1962.
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

*National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2014*

	<p>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.</p>
Agnes Yobterik	<p>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 both the public and the private sector. She joined the Board in June 2013. She was born in 1962.</p>
Alex Mbuvi	<p>Alternate to the Attorney General: He was born in 1975.</p>

III. 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

IV. CHAIRMAN'S STATEMENT

On behalf of the NEMA Board of Management, I am pleased to release the financial statements for the financial year ended 30th June 2014. The Authority had splendid performance despite the many challenges that came our way. We were able to declare surpluses in our results after many years of operating deficits, which had led to the sustainability of the Authority being questioned. This was achieved despite massive budget cuts from the Government.

Revenues

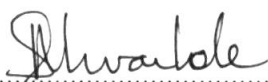
A financially and technically viable NEMA is critical for sustainable development of the economy, because the Authority is the environmental regulator of all development. I am pleased to report that we were able to increase our revenue collections from KES 332.3 million the previous year to KES 473.5 million in this financial year. This was an increase of 43%. We intend to sustain this in the coming financial years as we strive to achieve financial sustainability and independence. We however faced budget cuts from the government, which reduced our overall budget by KES 100.3 million from KES 473.8 million to KES 373.5 million.

Operations

We carry out our mandate as set out in the EMCA Act. I am pleased to report that we achieved most of the targets we set for the financial year. We issued various licences to various proponents, we undertook several research activities to address environmental issues, and created awareness in sectors of the economy. The devolution of our functions to the counties and to the regions is now complete. I would like to comment that our performance in the Performance Contracting improved remarkably, and we were ranked Good with a score of 3.0076

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.



.....
Dr. Susan Mwamlole
Member, Board of Management

31/03/2015

.....
Date
Nairobi

V. REPORT OF THE DIRECTOR GENERAL

The Government has laid critical emphasis on the management of the environment. The Constitution of Kenya has in its Bill of Rights the right of every Kenyan to a clean and healthy environment, with resultant expectations increased consciousness of the population of these rights. There has never been a time when demand for the better management of the environment has been higher. The Authority, as the principal instrument of Government in the implementation of all policies relating to the environment, has faced increased demands to ensure proper environmental management in the country.

The Authority continued to undertake this mandate and achieved remarkable results despite myriad of challenges it faced. The Authority continued to propagate the mainstreaming of environmental issues in the country's development.

Revenue

The Authority put in place measures to ensure financial sustainability in its operations. The allocations received from the exchequer have continued to decline over the years. This has put pressure on the Authority to collect its own revenues so as to sustain its operations. In the financial year just concluded, KES 373.5 million and KES 65.9 million were received from the Government as recurrent and development disbursements.

The Authority was however able to collect KES 473.5 million as Appropriation in Aid from various licences. This was a marked improvement of 43% over the previous year's collection of KES 332.3 million. This was achieved as a result of the efforts members of staff put. The Authority intends to improve on these efforts in the coming financial years.

The development partners disbursed KES 214.2 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 UNDP and UNIDO. The Authority intends to deepen the partnerships and broaden the base of development partners it engages with.

Expenses

The Authority's expenses were KES 1.2 billion. This represents 7.4% increase from last years of KES 1.1 billion. However, the increase compares favourably with overall revenue of KES 1.23 billion against KES 1 billion last year – an increase of 22%. The net effect was a surplus of KES 35.7 million. Staff costs still remain the major cost component accounting for 47.2% of total expenses.

PERFORMANCE CONTRACTING

The Authority participated in the 10th cycle of performance contracting. There was a marked improvement in its ranking compared to the previous period. The Authority attained a score of 3.0076, being ranked as Good.

INNOVATION

The Authority believes in continuous innovation in improving service delivery to its stakeholders. The Authority has embraced the use of Information Communication Technology (ICT) in the provision of services. In the financial year under review, the Authority fully automated the Environmental Impact Assessment (EIA) process. Proponents are now enabled to file their licence application and monitor the progress of the application online. This has made it fast and convenient for proponents to attain their EIA licences. It is intended that the remaining processes will be automated in the coming financial years.

The Authority made it easy for the citizens to pay for the fees the Authority charges for its licences. In collaboration with Safaricom Ltd, the Authority enabled proponents to pay for the fees using the MPESA services, making the process very convenient. In addition, the Authority implemented the payment of staff claims through the MPESA system, reducing the time staff take to access payments made to them.

STATE OF ENVIRONMENT REPORTS

The Authority finalise the State of the Environment Report (SOE) for the financial year 2012. The SOE for 2013 is in draft stage and will be completed in 2014.

EDUCATION AND AWARENESS CREATION.

One of the core functions of the Authority is to educate the population and create 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. The following activities were undertaken:-

- Participation in ASK Shows and international trade fairs and educating the public on environmental matters of concern to them
- The Mazingira run was held to enhance environmental awareness in the county of Nairobi.
- Construction of Green Points to serve as
- RCEs
- Hosting and participation in 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

We are striving to bring more development partners on board.

CUSTOMER FOCUS

The Authority places customer focus at the centre of its operations. 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 and review, the Office of the Ombudsman awarded the Authority a score of 70%. The customer satisfaction survey showed an improvement in satisfaction levels from 73.80% against a target of 72.50%.

EMPLOYEE RELATIONS

The Authority is committed to ensuring that there is an adequate work force to ensure it achieves its mandate. During the year, 43 employees were recruited and joined the Authority in various positions and grades; out of which there were 14 female and 29 male (33% female: 67% male).

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 the best skills for best performance. It has continuously improved staff development. During the year staff was 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 many 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.

Team work has always been embraced in the Authority. This was done through welfare activities like the end of year party where staffs were recognized for good performance. In addition several team building activities were done.

Besides the training and development that took place, several staffs were recruited. These were mainly to replace the staff who left the Authority.

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 29% female and 71% 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 equipments for use by the

staff. In addition, the Authority launched the newly constructed Green Point offices in Taita Taveta. There were three more Green Point offices nearing completion in Homabay, Embu and Isiolo. In order to enhance work place ambience, the Authority renovated the headquarters corridors and toilets. These state of the art facilities are now ready for use by staff.

COMMITMENT TO QUALITY

During the financial year, the Authority retained its ISO 9001:2008 certification. 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 support throughout the year, I am grateful to our development partners and to all our stakeholders for their unwavering trust, support and partnership. To the staff and management, I am honoured to be a part of the NEMA team. I believe that with your continued support and commitment, we shall deliver our services more efficiently and effectively impact more people with environmental management services in the coming years. We believe that the future of environmental management is indeed bright in this country.

.....

Prof. Geoffrey Wahungu
Director General

.....
24/3/2015
Date
Nairobi

VI. 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.

Expiry of the term of board members

The term of some of the Board Members expired on 11th January 2014 and three Board members exited the Board. The Board lacked quorum from that date and did not meet till the financial year came to an end. The Board has not been reconstituted as at the date of signing this report.

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 five 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. The last review was done in February 2013.

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. Sam Ogutha- Chairperson
- b) Principal Secretary Water and Natural Resources
- c) Director General
- d) Mrs. Kulamo Bullo
- e) Director Compliance and Enforcement

- 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) Mrs. Rosemary Murugu

Research and Planning Committee

Research and Planning Committee is charged with the responsibility of providing advice to the Board on NEMA's research, planning and development activities and forecasting the same in line with NEMA's statutory mandate.

The Committee appraises and evaluates the overall strategic direction of the Authority, operational performance, project implementation and budget planning and implementation.

The Committee's membership was as follows:

- a) Dr. Susan Mwamlole
- b) Mrs. Rosemary Murugu
- c) Director General
- d) Dr. Kennedy Ondimu
- e) Dr. Ayub Macharia

Publicity and Outreach Committee

The Committee considers all matters concerning environmental education and awareness and NEMA's corporate image.

The Committee consisted of the following members:

- a) Mrs. Rosemary Murugu- Chairperson
- b) Dr. Susan Mwamlole
- c) Director General
- d) Ms. Kulamo Bullo
- e) Dr. Ayub Macharia
- f) Dr. Kennedy Ondimu
- g) Mr. Benjamin Langwen

Legal Standards and Enforcement Committee

This Committee reviews and makes recommendations to the Board on compliance and enforcement policies. The Committee also advises on legislative issues and other measures for the management of the environment and their implementation.

Membership of the Committee was composed of:

- a) Mr. Sam Ogutha
- b) Principal Secretary Environment, Water and Natural Resources
- c) Director General
- d) Mr. Benjamin Langwen
- e) Dr. Ayub Macharia
- f) Alternate to Attorney General

Liaison and Implementation Committee.

The mandate of Liaison and Implementation Committee is to consider and advice on crosscutting issues arising from the various Board Committees. The Committee is composed of chairpersons of the Board Committees and is chaired by the vice-chairperson of the Board.

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	4	2	6
Finance and Human Resources	2	5	7
Audit, Governance and Risk Management	6	0	6
Research and Planning	5	0	5
Publicity and Outreach	2	0	2
Legal Standards and Enforcement	1	0	1

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

Evaluation

The performance of the Board is a fundamental component of the NEMA's success. A corporate governance evaluation was undertaken in order to have a formal and rigorous review of the entire Board as a collective unit and that of individual directors. The purpose of the evaluation was to acknowledge strengths and achievements and to recognize areas that needed improvement to enhance effectiveness and efficiency. The evaluation inspired Directors to improve in the application of their roles and responsibilities and to ensure that they are on track. The results of the evaluation were useful in putting in place a plan of action to improve effectiveness of each Director and that of the Board as a collective unit.

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 2013/2014 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 2012/13.

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.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Social and environmental responsibilities are an integral part of the Authority's practices. 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 days to commemorate world environment events were organized and held with these communities.

We participated in the Walk of Life which was organized by the Nairobi Hospice, and supported the Hospice financially. The Authority donated food stuff Catholic Diocese of Nairobi's Inter Colleges Young Christian students (ICYCS) during their environmental week. Several donations were given by the Authority during Environmental days. We gave cash prizes to champion schools for exemplary performance in environmental activities.

Our staff participated in several CSR activities. We intend to build on and enhance our CSR activities in the coming financial years.

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 30th June 2014, 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 35,699,376 (2013: deficit of KES 101,516,775) 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.

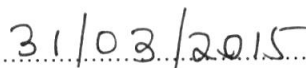
Auditor

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.



Dr. Susan Mwamlole
Member, Board of Management



Date
Nairobi

IX. 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 (period) ended on June 30, 2014. 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, 2014, 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 24/3/2015 201¹⁵.

.....
Dr. Susan Mwamlol
Member, Board of Management

Date 31/03/2015

.....
Prof. Geoffrey Wahungu
Director General

Date 24/3/2015

**X. REPORT OF THE INDEPENDENT AUDITORS ON NATIONAL ENVIRONMENT
MANAGEMENT AUTHORITY**

.....
Auditor General

.....
Date

REPUBLIC OF KENYA



Telephone: +254-20-342330
Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke

P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2014

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 2014, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparative 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 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, the preparation 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 of Kenya. The audit was conducted in accordance with International Standards on Auditing. 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.

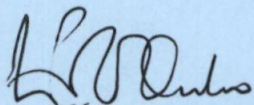
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's 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 the Authority as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with the Environment and Co-ordination Act, 1999 of the Laws of Kenya.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

21 May 2015

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2014

	Note	2014 Kshs	2013 Kshs
Revenue from non-exchange transactions			
Government grants - recurrent	3	373,555,994	473,873,038
Government grants - EMCA Agencies recurrent	3	45,175,059	99,786,000
Government grants - development	4	65,900,000	-
Government grants - EMCA Agencies development	4	30,780,000	-
Donor funds	5	<u>214,202,965</u>	<u>92,767,859</u>
		<u>729,614,018</u>	<u>666,426,897</u>
Revenue from exchange transactions			
Revenue receipts	6	473,489,931	332,307,758
Interest received	7	800,004	283,273
Other income	8	19,482,116	4,770,617
		<u>493,772,051</u>	<u>337,361,648</u>
Total revenue		<u>1,223,386,069</u>	<u>1,003,788,545</u>
Expenditure			
Staff costs	9	561,213,554	516,347,265
Administrative costs	10	291,772,226	271,192,927
Board expenses	11	14,549,842	13,419,441
EMCA Agencies	12	60,365,885	109,891,460
Project expenses	13	179,019,419	111,528,058
Depreciation expense	14	30,858,902	38,798,662
Repairs and Maintenance	15	25,379,793	21,363,066
Finance Costs	16	1,834,628	1,248,036
Utilities	17	<u>22,692,444</u>	<u>21,516,406</u>
Total Expenditure		<u>1,187,686,692</u>	<u>1,105,305,320</u>
Surplus/(Deficit)		<u>35,699,376</u>	<u>(101,516,775)</u>

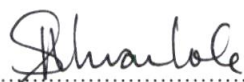
The notes set out on pages 8 to 21 form an integral part of the Financial Statements.

XII. STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	2014 KShs	2013 KShs
Assets			
Current assets			
Cash and cash equivalents	18	377,673,941	371,856,509
Receivable from non-exchange transactions	19	160,748,965	40,484,439
Inventories	20	<u>6,740,700</u>	-
		545,163,606	412,340,948
Non-current assets			
Property, plant and equipment	21	140,237,460	163,998,785
Capital Work in Progress		14,772,608	14,772,608
		<u>155,010,068</u>	<u>178,771,393</u>
Total assets		<u>700,173,674</u>	<u>591,112,341</u>
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	22	282,317,036	207,733,827
Employee benefits obligations	23	17,484,879	17,344,531
Provisions	24	54,429,683	72,855,130
Total liabilities		<u>354,231,598</u>	<u>297,933,488</u>
Net assets		<u>345,942,076</u>	<u>293,178,853</u>
Equity			
Capital Fund		175,472,531	175,472,531
Revenue Reserves		<u>170,469,545</u>	<u>117,706,322</u>
Total equity		<u>345,942,076</u>	<u>293,178,853</u>

The Financial Statements set out on pages 1 to 23 were signed on behalf of the Board of Directors by:



Dr. Susan Mwamlole
Member, Board of Management

Date: 31/03/2015



Prof. Geoffrey Wahungu
Director General

Date: 24/3/2015

STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30 June 2014

	Note	Accumulated Fund KShs	Revenue Reserve KShs	Total KShs
At 1st July 2012		175,472,531	219,197,851	394,670,382
Prior year adjustment			25,245	25,245
Net Deficit for the year			(101,516,775)	(101,516,775)
At 30th June 2013		175,472,531	117,706,321	293,178,852
At 1st July 2013		175,472,531	117,706,321	293,178,852
Prior year adjustment	26		17,063,848	17,063,848
Net / (Deficit) surplus for the year			35,699,376	35,699,376
At 30th June 2014		175,472,531	170,469,545	345,942,076

XIV. STATEMENT OF CASH FLOWS

For the year ended 30 June 2014

	Notes	2014 KShs	2013 KShs
Cash flows from operating activities			
Surplus / (Deficit) for the year		35,699,376	(101,516,775)
Adjustments for:			
Depreciation of property, plant and equipment		30,858,902	38,798,662
Prior year adjustment	26	17,063,848	25,244
Interest received	7	(800,004)	(283,273)
Changes in operating assets and liabilities			
(Increase) / Decrease in trade and other receivables		(120,264,526)	1,098,682
Increase/ (decrease) in trade payables from exchange transactions		74,583,207	219,362,144
Increase/(decrease) in Employee benefits obligations		140,349	
Increase/(decrease) in Provisions		(18,425,448)	
Increase/ (decrease) in inventories		(6,740,700)	
Net cash from operating activities		12,115,005	157,484,684
Cash flows from investing activities			
Purchase of property, plant and equipment	20	(8,447,120)	(63,233,425)
Adjustment: overstated asset		1,349,544	
Work in Progress		-	(10,836,584)
Interest received		800,004	283,273
Net cash used in investing activities		(6,297,572)	(73,786,736)
Net increase (decrease) in cash and cash equivalents		5,817,432	83,697,948
Cash and cash equivalents at start of year		<u>371,856,509</u>	<u>288,158,561</u>
Cash and cash equivalents at end of year		<u>377,673,941</u>	<u>371,856,509</u>

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget and Final Budget 2013-2014 KES	Actual on comparable basis 2013-2014 KES	Performance difference 2013-2014 KES
Revenue			
GOK - Recurrent	373,555,994	373,555,994	-
GOK - Development	158,800,000	65,900,000	(92,900,000)
A-IN A 2013/14	478,000,000	473,489,931	(4,510,069)
NRM	170,000,000	170,000,000	-
KCDP	45,300,000	8,736,000	(36,564,000)
UNIDO	5,000,000	2,550,922	(2,449,078)
NCNSA	20,000,000	21,382,028	1,382,028
SNC	23,000,000	3,025,050	(19,974,950)
UNFCCC	2,300,000		(2,300,000)
PRIOR YEAR A-I-A	126,000,000		(126,000,000)
Restoration Fund	20,000,000		(20,000,000)
GOK - EMCA Agencies recurrent	-	45,175,059	45,175,059
GOK - EMCA Agencies development		30,780,000	30,780,000
Other income		28,791,084	28,791,084
Total income	1,421,955,994	1,223,386,068	(198,569,926)
Expenses			
Basic Salaries - Nema staff	360,000,000	335,533,571	24,466,429
Contracted Employees	6,000,000		6,000,000
Casual Labour	1,440,000	1,124,511	315,489
House Allowance	90,000,000	88,874,186	1,125,814
Honoraria	960,000	960,000	-
Acting Allowance	1,140,000	1,058,093	81,907
Leave Allowance	13,000,000	9,207,016	3,792,984
Commuting Allowance	36,000,000	32,616,210	3,383,790
Entertainment Allowance	8,400,000	6,147,484	2,252,516
Responsibility Allowance	9,120,000	8,054,484	1,065,516
Special Duty Allowance	1,500,000	1,217,866	282,134
Hardship allowance	6,000,000	5,158,022	841,978
Extreuous Allowance	2,802,458	2,751,750	50,708
Club Membership	500,000	286,000	214,000
Employer cotribution to N.S.S.F	1,640,000	1,196,600	443,400
Nema Pension Scheme and Gratuity	70,000,000	63,245,622	6,754,378
Electricity	1,150,000	1,138,007	11,993
Water & Sewage Charges	70,000	60,836	9,164
Telephone, Telex, Facsimile	9,400,000	9,311,473	88,527
Internet Connections	5,060,000	5,058,045	1,955
Courier & Postage Services	7,200,000	7,124,083	75,917
Roll out of Finance manual	4,850,000	4,821,600	28,400
Domestic-Travel Costs	3,488,652	3,398,500	90,152
Domestic-Accomodation	37,314,291	37,263,820	50,471
Transfer Allowance	3,000,000	2,855,240	144,760
Baggage Allowance	1,500,000	990,079	509,921
FOREIGN -Travel Costs (Airlines)	1,959,530	1,868,713	90,817

*National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2014*

FOREIGN- Accommodation	7,378,354	7,356,663	21,692
Publishing and Printing	2,305,349	2,219,000	86,349
Advertising & Awareness	1,070,421	1,043,422	26,999
Trade Shows & Exhibitions	3,593,534	3,581,604	11,930
Media & Communications campaigns	800,000	778,875	21,125
Rents and Rates - Non residential	21,600,000	21,578,669	21,331
Remuneration of Instructors	-	-	-
Production & Printing	307,882	291,500	16,382
Training Facilities & Equipment	6,053,673	5,901,140	152,533
Participation allowances	2,359,696	2,353,840	5,856
Tuition fees	3,440,000	3,433,853	6,147
Environmental Licensing	2,048,547	2,046,475	2,072
Participation allowances	363,050	363,000	50
Board Expenses	15,000,000	13,589,842	1,410,158
National Environment Action Plan	1,494,094	1,386,535	107,559
Field Environment Operations	22,479,325	22,429,592	49,733
State Of Environment (SOE)	1,761,161	1,707,962	53,199
Official celebration	2,576,391	2,545,162	31,229
Clean -up	281,979	136,900	145,079
Ex-gratia payment	-	-	-
EIA Facilitation fees	10,861,796	10,846,144	15,652
Staff welfare	3,620,000	3,615,589	4,411
EIA Decentralisation /processing	25,551,899	25,531,450	20,449
Donations-CSR	85,714	24,800	60,914
General Staff meetings	2,200,000	2,156,865	43,135
Public Service Week	296,215	291,400	4,815
PECs W& DEC's Capacity Building	50,000	22,500	27,500
Group Personal Insurance	-	-	-
Plant Eqp & Machinery- Ins.	-	-	-
Motor Vehicle- Insurance	4,600,000	4,590,402	9,598
Staff Medical/money Cover	52,100,000	52,067,450	32,550
Staff Uniforms & Clothing	112,000	58,500	53,500
Production of Photographic	40,000	24,670	15,330
General Office Supplies	3,344,160	3,300,234	43,926
Computer & Printer supplies	2,675,260	2,620,546	54,714
Education & Library supplies	100,707	95,310	5,397
Sanitary & Cleaning Materials	2,873,280	2,745,916	127,364
Office tea & consumables	4,156,586	3,892,300	264,286
Fuels & Lubricants for Transport	28,250,000	28,058,237	191,763
Bank commission and charges	2,000,000	1,834,628	165,372
Audit Fees	600,000	522,000	78,000
Legal Fees	1,775,358	1,477,930	297,428
Contracted Technical Services	777,800	555,477	222,323
Registration of Land	100,000	94,000	6,000
Security	4,400,000	4,397,405	2,595
Consultancy	1,652,826	1,551,815	101,011
Corporation Tax	400,000	354,924	45,076
Motor Vehicles	13,205,994	13,024,161	181,833
Plant Machinery & Equipment	1,710,000	1,707,612	2,388
Non-Residential Buildings & Stations	8,450,000	7,386,194	1,063,806

*National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2014*

Computers, Software & Networks	3,265,000	3,238,326	26,674
Maintenance of Furniture	30,000	23,500	6,500
Annual Professional Membership fee	300,000	287,860	12,140
National Env. Trust Fund	-	60,365,885	(60,365,885)
Restoration Expenses	20,000,000	10,582,961	9,417,039
Monitoring and evaluation	1,650,000	1,581,430	68,570
Research Expenses	-	-	-
Customer Satisfaction Survey	-	-	-
NEMA- Restructuring Expenses	361,307	314,250	47,057
ISO Certification	450,000	420,000	30,000
HIV/AIDS Policy	100,000	79,500	20,500
Depreciation Expenses		30,858,902	(30,858,902)
Anti corruption	370,000	358,300	11,700
ICT Expenses	2,620,000	2,617,640	2,360
Prevention of Drugs and substance	320,000	313,315	6,685
OHS Policy expense	130,000	114,500	15,500
Gender Mainstreaming	60,000	53,025	6,975
VAT Expenses-Purchases	90,000	66,759	23,241
Recruitment expenses	500,000	476,820	23,180
NCNSA Project Expenses	20,000,000	4,628,492	15,371,508
EPS-DANIDA/SIDA	600,000	595,940	4,060
UNEP/GEF Project	2,428,785	1,195,952	1,232,833
EU-CBF Project	200,000	197,241	2,759
UNEP WIOLAB Project	50,000	29,400	20,600
CBA- NEMA CBF Biodiversity	100,000	78,000	22,000
IDF World Bank Grant	2,100,000	2,048,449	51,551
UNIDO Project Expense	5,000,000	4,897,567	102,433
Second National Comm Expense	23,000,000	3,283,143	19,716,857
Technology Needs Asses Expense	1,295,920	1,094,818	201,102
NRM Project Expenses	170,000,000	154,871,623	15,128,377
KCDP Project Expenses	45,300,000	4,953,432	40,346,568
Access & Benefit Sharing Expen.	3,315,000	1,135,880	2,179,120
African Union Commission	100,000	9,483	90,517
Development fund	158,800,000		158,800,000
Office Furniture & Fittings	988,000		988,000
Computers & Printers at Cost	3,650,000		3,650,000
Office Equipment & Others Cost	384,000		384,000
Total expenditure	1,398,955,994	1,187,681,604	211,269,302
Surplus for the period		35,699,376	35,699,376

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 473.5 million from licence fees compared to KES 332.3 million in previous year (42% increase). This was mainly attributed to enhanced field inspections leading to more compliance and change in Environmental Impact Assessment fees from 0.05% of cost of project to 0.1% without upper capping.

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 729.6 million compared to KES 666.4 million in previous year (9.5% increase). This increase was attributed to increased government development allocation and more donors funding. The Authority takes cognisance

of KES 65.9 million development funds received during the financial year; no development funds were released in the previous year.

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 800,004 was received as interest from bank balances held in various savings accounts of the Authority. This is compared to KES 283,273 in previous 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.

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 taxes of KES 354,924.

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 8.4 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 6.7 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 that were invoiced but not paid amounting to KES 54 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, 2014.

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.

3. Government grant – recurrent

	2014	2013
	KShs	KShs
National Environment Management Authority (NEMA)	373,555,994	473,873,038
Public Complaints Committee (PCC)	-	30,184,000
National Environment Tribunal (NET)	-	19,872,000
National Environment Trust Fund (NETF)	45,175,059	49,730,000
	<u>418,731,053</u>	<u>573,659,038</u>

4. Government grant – development

	2014	2013
	KShs	KShs
National Environment Management Authority (NEMA)	65,900,000	-
National Environment Trust Fund (NETF)	30,780,000	-
	<u>96,680,000</u>	<u>-</u>

*National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2014*

5.Donor Funds	2014	2013
	KShs	KShs
DANIDA/SIDA-NRM Project	170,000,000	59,818,461
KCDP	8,736,000	13,208,188
UNEP NCNSA	21,382,028	6,972,249
UNEP General	3,025,050	9,194,314
Other Donor funds	5,193,965	-
GIZ Proklima(Germany)	3,315,000	363,375
UNEP-UNIDO	2,550,922	2,550,922
Capacity Building Facility	-	42,000
African Union Commission	-	618,350
	214,202,965	92,767,859

6.Revenue receipts:	2014	2013
	KShs	KShs
EIA Registration fees	14,239,353	15,847,650
Water Quality	46,423,200	49,367,700
Waste Management	12,212,516	11,571,463
Biodiversity	294,040	245,000
Ozone Depleting Substances	249,500	802,250
Noise Pollution	7,988,950	22,707,295
EIA Income	330,343,860	216,810,945
Unreceipted income	61,738,512	14,955,455
	473,489,931	332,307,758

7.Finance income	2014	2013
	KShs	KShs
Interest received	800,004	283,273

8.Other Incomes	2014	2013
	KShs	KShs
Sale of Tender Documents	336,860	1,675,000
Canteen Services	240,000	240,000
Sale of Obsolete Stock/Furn/Eq	956,389	1,568,741
Surcharges and fines	-	627,750
Donations	-	110,000
Miscellaneous Income	17,948,867	549,126
Total	19,482,116	4,770,617

Expenditure	2014	2013
	KShs	KShs
9.Staff Costs		
Personal Emoluments	495,874,512	454,106,107
Employer's Pension/Gratuity	63,245,622	61,188,803
Employer's NSSF Contribution	1,196,600	836,600
Recruitment expenses	476,820	215,755
Human Resources /ISO Policy	420,000	-
	561,213,554	516,347,265

*National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2014*

	2014	2013
	KShs	KShs
10. Administrative expenses		
Local Travelling & Accommodation	45,483,920	46,716,531
Foreign Travelling & Accommodation	9,225,376	10,507,248
Publishing & Printing	2,219,000	4,895,321
Advertising & Publicity	1,043,422	2,329,408
Trade Shows & Exhibitions	3,581,604	4,241,789
Media Profiling & Campaign	778,875	1,094,956
Rent	21,578,669	18,140,826
Training Expense	12,343,333	13,710,697
National Environment Action Plan	1,677,935	152,480
Regional/ County Environment Operation Expenses	22,429,592	15,726,685
State of the Environment Expenses	1,707,962	256,000
Celebration of Official Ceremonies	2,545,162	7,811,805
Environment clean-ups	136,900	-
Staff welfare expenses	3,615,589	876,003
EIA Expenses	38,424,069	26,224,029
CDE's capacity building	22,500	1,322,830
Donations-CSR	24,800	54,000
General Staff meeting expenses	2,156,865	131,185
Insurance	56,657,852	42,868,990
Purchase of Uniform	58,500	755,846
Purchase of Photographic Materials	24,670	11,800
Office & General Supplies & Services	12,654,305	15,400,462
Fuel & lubricants	28,058,237	22,840,611
Provision for Audit fees	522,000	972,000
Contracted Professional. Services	3,679,221	15,423,956
Parking Charges	-	23,140
Subscription to International Organizations	-	15,000
Annual Professional Membership fees	287,860	219,338
Restoration Expenses	10,582,961	11,419,440
Mid-Term Review of NEMA Plan	1,895,680	4,744,320
Research Strategy Expenses	-	987,520
HIV/AIDS policy Expenses	79,500	193,500
Anti corruption Expenses	358,300	507,090
Occupational Health and Safety expenses	480,840	618,122
VAT Expenses-Purchases	66,759	-
ICT Expenses	2,617,640	-
Security	4,397,405	-
Corporation tax	354,924	-
	<u>291,772,226</u>	<u>271,192,928</u>

	2014	2013
	KShs	KShs
11. Board expenses		
Board and Committee Expenses –NEMA	13,589,842	12,761,376
Honoraria	960,000	658,065
	<u>14,549,842</u>	<u>13,419,441</u>

*National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2014*

	2014	2013
	KShs	KShs
12.EMCA Agencies		
Committee Expenses –PCC	-	28,621,561
Committee Expenses-NET	-	14,304,357
National Environment Council	-	38,020
National Environment Trust fund Expenses	60,365,885	66,927,522
	<u>60,365,885</u>	<u>109,891,460</u>

	2014	2013
	KShs	KShs
13.Project expenses		
UNEP NCSA Project expenses	4,628,492	6,191,470
NRM DANIDA Project expenses	155,467,563	89,409,862
UNEP-GEF Project expenses	1,195,952	-
IDF World Bank Grant	2,048,449	-
Trust fund expenses	-	15,000
EU-CBF Project expenses	275,241	1,224,314
African Union Commission	9,483	348,117
UNEP-WIOLab Project Expenses	29,400	213,080
GTZ Ozone Depleting Substances	-	489,535
Nairobi River Basin Project	-	26,000
Kenya Coastal Development Program-World Bank Project	4,953,432	7,035,385
Access & Benefit Sharing Expen.	1,135,880	927,030
UNIDO grant – CMF	4,897,567	3,062,000
UNFCCC Climate Change	3,283,143	187,920
UNFCC TUNFCC-Tech Needs Asses.	1,094,818	2,398,344
UNEP - SSFA E-Learning	-	15,490
	<u>179,019,419</u>	<u>111,543,547</u>

	2014	2013
	KShs	KShs
14.Depreciation expense		
Property, plant and equipment	30,852,402	38,798,662
	<u>30,852,402</u>	<u>38,798,662</u>

	2014	2013
	KShs	KShs
15.Repairs and Maintenance		
Plant	7,386,194	1,653,140
Equipment	1,707,612	1,676,575
Furniture	23,500	8,000
Computer and networks	3,238,326	2,069,940
Vehicles	13,024,161	15,955,412
	<u>25,379,793</u>	<u>21,363,067</u>

	2014	2013
	KShs	KShs
16.Finance costs		
Bank Charges & Commissions	1,834,628	1,248,036
	<u>1,834,628</u>	<u>1,248,036</u>

*National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2014*

17. Utilities	2014	2013
	KShs	KShs
Electricity Expenses	1,138,007	1,212,122
Water & Conservancy	60,836	277,843
Telephone Expenses	9,311,473	6,900,516
Internet Services	5,058,045	3,330,670
Postal & Telegrams	7,124,083	9,795,257
	<u>22,692,444</u>	<u>21,516,408</u>

18. Cash and Bank Balances	2014	2013
	KShs	KShs
a) Bank Balances		
Development Account	64,999,478	381,078
Restoration Account	35,067,248	34,847,833
KCB- Revenue Account	152,712,411	178,672,121
KCB Gateway-Recurrent Account	5,006,155	17,861,527
KCB Gateway-EPS Project Account	1,546	543,764
Coop-Revenue Account	10,663,903	10,242,736
NCNSA Project account	15,320,807	2,003,361
UNEP-Capacity Building Facility (Biodiversity)	3,687,871	3,695,211
NRM - Recurrent Account	63,023,843	99,880,727
Pension Account	5,333,584	5,348,827
National Environment Trustfund Account		88,395
National Environment Tribunal Account		5,567,643
Public Complaints Committee		1,563,414
ABS Project Account	3,135,630	680,180
Co-op bank - NEMA BBF	2,066,162	1,545,800
SNC Project Account	3,330,987	
TNA Project Account	201,103	
Kenya Coastal Development Project	12,204,312	8,548,022
	<u>376,755,040</u>	<u>371,470,639</u>
b) Cash in Hand		
NEMA	500,000	385,870
c) Mpesa Holding		
Mpesa	418,901	-
Total Cash and bank balance	<u>377,673,941</u>	<u>371,856,509</u>

19. Trade and other receivables	2014	2013
	KShs	KShs
NEMA- Outstanding Imprest	59,974,450	30,983,861
PCC Outstanding Imprest	675,510	675,510
Payroll Imprest deduction	81,060	-
Other debtors	15,017,945	8,825,068
Grants Receivable	85,000,000	-
	<u>160,748,965</u>	<u>40,484,439</u>

*National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2014*

					2014 KShs	2013 KShs	
20. Inventories					6,740,700	-	
Consumable stores					6,740,700	-	
					<u>6,740,700</u>	<u>-</u>	
21. Property, plant and equipment							
	Capital Work in progress KShs	Land and buildings KShs 2.5%	Motor Vehicles KShs 25%	Furniture & Fittings KShs 12.5%	Computers printers & software KShs 30%	Office & other equipment KShs 12.5%	Total KShs
Cost							
1st July 2012	3,936,024	19,851,390	171,227,648	42,711,854	70,905,676	25,562,643	334,195,234
Additions	10,836,584	17,424,216	4,000,000	4,237,958	32,261,622	5,309,630	74,070,009
30th June 2013	14,772,608	37,275,606	175,227,648	46,949,812	103,167,298	30,872,273	408,265,245
Accumulated depreciation							
1st July 2012	-	980,162	106,063,376	18,131,810	54,978,774	10,541,065	190,695,188
Charge for the year	-	907,386	17,291,068	3,602,250	14,456,557	2,541,401	38,798,662
30th June 2013	-	1,887,548	123,354,444	21,734,060	69,435,331	13,082,466	229,493,849
Cost							
1st July 2013	14,772,608	37,275,606	175,227,648	46,949,811	103,167,297	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	107,095,860	31,368,018	414,784,443
Accumulated depreciation							
1st July 2013	-	1,887,548	123,354,444	21,734,060	69,435,331	13,082,466	229,493,850
Adjustments: Prior					(578,376)		(578,376)
Charge for the year	-	900,748	13,113,105	3,254,696	11,298,159	2,285,694	30,852,402
30th June 2014	-	2,788,296	136,467,549	24,995,256	80,155,114	15,368,160	259,774,375
Carrying amount							
30th June 2014	14,772,608	35,129,169	39,339,315	22,828,371	26,940,746	15,999,858	155,010,068
Carrying amount							
30th June 2013	14,772,608	35,388,058	51,873,204	25,215,751	33,731,966	17,789,807	178,771,393

*National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2014*

A prior year adjustment resulting from recognition of computers based on invoiced amount was effected of KES 1.9 million when actual payment was lower than accrued cost of the asset. Excluded in this PPE are eight motor vehicles which were physically transferred to the Authority from various mother ministries without respective log books. Whereas, the Authority does not have title of ownership, it has been deriving economic benefits from the said vehicles in the course of daily activities. These vehicles are:

- 1 GK W 352
- 2 GK X 919
- 3 GK Y 825
- 4 GK A 957B
- 5 GK A 176C
- 6 GK A 360F
- 7 GK A 568F
- 8 GK A 668C

	2014	2013
	KShs	KShs
22.Trade and other payables from exchange transactions		
VAT Payable (Comm of VAT)	1,620,009	1,620,009
Other payables	32,803,101	22,525,649
Sundry Creditors	135,547,651	86,394,131
Net fund Payables	11,524,941	-
Unspent donor funds	100,821,333	97,194,039
	<u>282,317,035</u>	<u>207,733,828</u>
 Breakdown of Unspent donor funds 2014		
NRM	62,949,243	89,236,517
ABS	3,135,630	680,180
EPS	19,005,146	-
KCDP	12,199,224	5,273,981
SNC	3,330,987	2,003,361
NEMA TNA PROJECT	201,103	-
	<u>100,821,333</u>	<u>97,194,039</u>

	2014	2013
	KShs	KShs
23.Employee benefits obligations		
NEMA Staff Welfare	2,066,162	1,545,800
NEMA Staff Housing Scheme	1,152,500	1,015,000
Bank Loan Deduction	1,084,040	-
Bank Loans	1,185,352	-
Pension Fund	9,340,530	-
NEMA Pension Fund	-	7,220,981
Income tax	-	37,325
Gratuity	2,656,296	2,656,296
Admin. Civil Serv. Hsng Scheme	-	4,747,956
Director of Pensions	-	121,172
	<u>17,484,879</u>	<u>17,344,531</u>

*National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2014*

	2014	2013
	KShs	KShs
24.Provisions		
General provisions	54,429,683	53,991,914
Net fund	-	15,589,174
KCDP Provisions	-	3,274,042
	<u>54,429,683</u>	<u>72,855,130</u>

	2014	2013
	KShs	KShs
25.Reserves		
Accumulated Fund		
At start of the year	175,472,531	171,972,531
GOK development grant – NETFUND	-	3,500,000
At end of the year	<u>175,472,531</u>	<u>175,472,531</u>

	2014	2013
	KShs	KShs
Revenue Reserve		
At start of the year	117,706,321	219,197,851
Prior year Adjustment	17,063,848	25,245
Deficit/Surplus	35,699,376	(101,516,775)
At end of the year	<u>170,469,545</u>	<u>117,706,321</u>

26. Prior year adjustments – IPSAS 3

The prior year adjustments amounting to KShs 17,063,848 relates to provisions made in previous periods which have since not been claimed because the services/goods have not been supplied and the balances were still outstanding in the suppliers accounts in the previous periods. Whereas the payment had been done to settle the balances, this was not done through the individual sub-ledger accounts but passed directly to the ledger leaving the balances outstanding in the supplier’s account. This was cleared in the books through adjusting accumulated revenue reserves. 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. The entries passed increased the revenues and reduced the liabilities (accounts payables).

27. Provisions, Contingent Liabilities-IPSAS 19

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

28. Related Party Disclosures-IPSAS 20

The Authority has six key management personnel and their remuneration for the financial year ended June 30, 2014 was KES 23,050,655.

29. Financial Instruments Disclosure-IPSAS 30

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

Receivables

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

Payables

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

30. 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

*National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2014*

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 30 June is made up as follows:

	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2014			
Cash at bank	376,755,040	-	-
Receivables	160,748,965	-	-
	<u>537,504,005</u>	<u>-</u>	<u>-</u>
At 30 June 2013			
Cash at bank	371,470,639	-	-
Receivables	40,484,439	-	-
	<u>411,955,078</u>	<u>-</u>	<u>-</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 rates.

*National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2014*

XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Issue / Observations from Auditor	Management comments	Focal person to resolve the issue (<i>Name and designation</i>)	Status: Resolved/ Not Resolved	Timeframe
<p>Paragraph 1: Property, Plant and Equipment. As similarly reported in 2011/2012, the property, plant and equipment balance of Kshs.163,998,785 as at 30 June 2013 still includes nine (9) motor vehicles whose logbooks were not provided for audit review, apparently because the ownership documents had not been transferred to the Authority by the respective Government Ministries and Departments as at 30th June 2013. Further, the property, plant and equipment balance has not been supported by a fixed assets register.</p> <p>In the circumstances, it has not been possible to confirm the completeness and accuracy of the property, plant and equipment balance of Kshs.163, 998,785 as at 30 June 2013.</p>	<p>The Authority has carried out a search at Kenya Revenue Authority and established the mother Ministries which donated five of the nine fleet as below: GK A957B-Toyota station wagon belongs to MEWNR GK X919-Isuzu Trooper belongs to the Office of the President GK W352-Isuzu Bus belongs to MEWNR GK Y 825-Toyota van belongs to MEWNR GK A 176C-Motorcycle belongs to MEWNR</p> <p>The other vehicles as listed below were purchased using Danida (NRM) funds. Their log books have not been transferred to the Authority: KBC596M, KBF 614N, KBF 615N, KBC 765E.</p> <p>With this information, the Authority will fast track to obtain copies of log books from the mother ministries and subsequently initiate the transfer process.</p> <p>The Authority has also embarked on comprehensive verification and valuation of all the assets to ascertain the location, ownership and value of the assets and develop a comprehensive fixed assets register</p>	<p>Director, Finance and Administration</p>	<p>Not Resolved</p>	<p>March 2015</p>
<p>Paragraph 2: Cash and Bank Balance.</p>	<p>All the bank reconciliations plus supporting certificates</p>	<p>Director, Finance</p>	<p>Resolved</p>	

**National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2014**

<p>The cash and cash equivalent balance of Kshs.371,856,509 as at 30 June 2013 includes six (6) bank account balances amounting to Kshs.22,662,101 which have not been supported by updated cashbooks, bank certificates and bank reconciliation statements as at 30 June 2013 as tabulated below:</p> <table border="1"> <thead> <tr> <th>Name of Account</th> <th>Amount (Kshs)</th> </tr> </thead> <tbody> <tr> <td>i Pension</td> <td>5,348,827</td> </tr> <tr> <td>ii SCB KCDP</td> <td>8,548,022</td> </tr> <tr> <td>iii Co-operative Bank</td> <td>1,545,800</td> </tr> <tr> <td>iv Public Complaints Committee</td> <td>1,563,414</td> </tr> <tr> <td>v National Environment Tribunal</td> <td>5,567,643</td> </tr> <tr> <td>vi NET Fund</td> <td>88,395</td> </tr> <tr> <td>Total</td> <td>22,662,101</td> </tr> </tbody> </table> <p>Consequently, the completeness and accuracy of the cash and cash equivalents balance of Kshs.371,856,509 as at 30 June 2013 cannot be ascertained.</p>	Name of Account	Amount (Kshs)	i Pension	5,348,827	ii SCB KCDP	8,548,022	iii Co-operative Bank	1,545,800	iv Public Complaints Committee	1,563,414	v National Environment Tribunal	5,567,643	vi NET Fund	88,395	Total	22,662,101	<p>of bank balances were provided except for Barclays Pension Account number 708165964 whose certificate of bank balance was not provided since the signatories had not been regularized.</p>	<p>and Administration</p>					
Name of Account	Amount (Kshs)																						
i Pension	5,348,827																						
ii SCB KCDP	8,548,022																						
iii Co-operative Bank	1,545,800																						
iv Public Complaints Committee	1,563,414																						
v National Environment Tribunal	5,567,643																						
vi NET Fund	88,395																						
Total	22,662,101																						
<p>Paragraph 3: Board Expenses</p> <p>The statement of comprehensive income reflects a balance of Kshs.123,310,900 in respect of board expenses for the year ended 30 June 2013. According to Note (12) to the financial statements, the amount includes committee expenses under NEMA, PCC, NET and NETFUND. The amounts reflected are, however, in disagreement with expenditure figures of the respective agencies financial statements as at 30 June 2013 as indicated below:</p> <table border="1"> <thead> <tr> <th>Agency</th> <th>NEMA's Financial Statements (Kshs.)</th> <th>Agency's financial statements (Kshs.)</th> <th>Difference (Kshs.)</th> </tr> </thead> <tbody> <tr> <td>PCC</td> <td>28,621,561</td> <td>13,071,430</td> <td>15,550,131</td> </tr> <tr> <td>NET</td> <td>14,304,357</td> <td>14,583,159</td> <td>-278,802</td> </tr> <tr> <td>NET FUND</td> <td>66,972,522</td> <td>1,401,817</td> <td>65,525,705</td> </tr> <tr> <td>Total</td> <td>109,853,440</td> <td>29,056,406</td> <td>80,797,034</td> </tr> </tbody> </table> <p>In absence of any explanation for the above differences, the accuracy of the board expenses balance of Kshs.123,310,900 cannot be ascertained.</p>	Agency	NEMA's Financial Statements (Kshs.)	Agency's financial statements (Kshs.)	Difference (Kshs.)	PCC	28,621,561	13,071,430	15,550,131	NET	14,304,357	14,583,159	-278,802	NET FUND	66,972,522	1,401,817	65,525,705	Total	109,853,440	29,056,406	80,797,034	<p>The agencies expenses are consolidated under board expenses classification and represent total Agencies payments and accruals as at end of 2012/2013 while the agency's board expenses captured herein represent the specific board expenses for each one of them. The two items cannot be compared</p>	<p>Director, Finance and Administration</p>	<p>Resolved</p>
Agency	NEMA's Financial Statements (Kshs.)	Agency's financial statements (Kshs.)	Difference (Kshs.)																				
PCC	28,621,561	13,071,430	15,550,131																				
NET	14,304,357	14,583,159	-278,802																				
NET FUND	66,972,522	1,401,817	65,525,705																				
Total	109,853,440	29,056,406	80,797,034																				