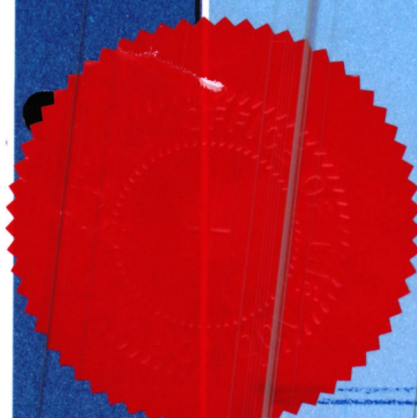
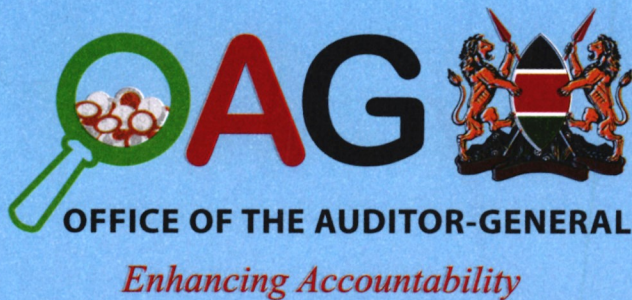


REPUBLIC OF KENYA



REPORT

THE NATIONAL ASSEMBLY

DATE: 21 NOV 2023

DAY: TUESDAY

TABLED BY:

HON OWEN BAYA, MP
Deputy Leader, majority party

CLERK AT THE TABLE:

Finlay

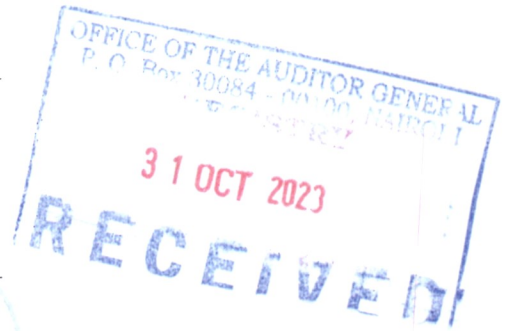
THE AUDITOR-GENERAL

ON

AFRICA ENVIRONMENTAL HEALTH AND POLLUTION MANAGEMENT PROJECT (EHPMP)

FOR THE YEAR ENDED
30 JUNE, 2023

NATIONAL ENVIRONMENT MANAGEMENT
AUTHORITY



**PROJECT NAME: AFRICA ENVIRONMENTAL HEALTH AND POLLUTION
MANAGEMENT PROJECT (AHPMP)**

**IMPLEMENTING ENTITY: NATIONAL ENVIRONMENT MANAGEMENT
AUTHORITY**


**PROJECT GRANT/CREDIT NUMBER: (P167788)
(GRANT NO. TFOB3322)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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



Africa Environmental Health and Pollution Management Project (AEHPMP)
Annual Report and Financial Statements for the financial year ended June 30, 2023

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1. Acronyms and Glossary of Terms

| | |
|--------|--|
| AEHPMP | Africa Environmental Health and Pollution Management Project |
| EMCA | Environmental Management and Coordination Act |
| IPSAS | International Public Sector Accounting Standards |
| ISO | International Organization for Standardization |
| KoTDA | Konza Technopolis Development Authority |
| NSC | National Steering Committee |
| NEMA | National Environment Management Authority |
| PCU | Project Coordinating Unit |
| TAC | Technical Advisory Committee |
| UON | University of Nairobi |
| UPOPs | Unintentionally Produced Persistent Organic Pollutants |

2. Project Information and Overall Performance

1.1 Name and registered office

Name

Africa Environmental Health and Pollution Management Project

Objective

The key objective of the project is to strengthen the institutional capacity to manage and regulate e-waste and related UPOPS in Kenya.

Address

The project headquarters offices are Nairobi, Kenya.

Popo Road, off Mombasa Road

The address of its registered office is: P.O. Box 67839-00200 Nairobi

Contacts: The following are the project contacts

Telephone: 020-2101370, 020-2183718, 020-2307281, 020-2103696

Mobile: 0724 253398, 0735 013046, 0723 363 010

E-mail: dgnema@nema.go.ke

Website: www.nema.go.ke

Postal Address: P.O. Box 67839 – 00200 Nairobi

Project information and overall performance (continued)

1.2 Project Information

| | |
|----------------------------|------------------|
| Project Start Date: | 14/08/2020 |
| Project End Date: | 31/07/2025 |
| Project Manager: | Dr Charles Lange |
| Project Sponsor: | World Bank |

1.3 Project Overview

| | |
|---|---|
| Line Ministry/State Department of the project | The project is under the supervision of the Ministry of Environment, Climate Change and Forestry The implementing agency National Environment Management Authority (NEMA) |
| Project number Grant number | P167788 TF0B3322 |
| Strategic goals of the project | The strategic goals of the project are as follows: <ol style="list-style-type: none"> 1. Institutional Strengthening, Knowledge and Capacity Building 2. Policy Dialogue and Regulatory enhancements 3. Demonstration of Application of Technological Tools and economic Approaches |

| | |
|---|--|
| | <p>4. Project Coordination and management</p> |
| <p>Summary of Project Strategies for achievement of strategic goals</p> | <p>The project management aims to achieve the goals through the following means:</p> <p>(i) Institutional Strengthening, Knowledge and Capacity Building</p> <p>(a) Strengthening the capacity of NEMA staff for waste management including the reduction of releases of Persistent Organic Pollutants (POPs) from unsound e-waste management practices.</p> <p>(b) Strengthening the institutional capacities of the Ministry of Environment and Forestry, NEMA and Kenya Revenue Authority for implementation and enforcement of laws and regulations on waste and e-waste management.</p> <p>(c) Carrying out sensitization workshops on waste and e-waste management targeting relevant stakeholders.</p> <p>(d) Streamlining customs coding with appropriate training of the customs and borders inspectorate to curtail entry of illicit waste as provided in Basel convention</p> <p>(e) Carrying out country wide situational analysis on waste including review and development of a national e-waste inventory to inform sustainable management of e-waste.</p> <p>(f) Development of guidelines and monitoring protocols on waste (and e-waste) management, including development of systems for monitoring and enforcement and undertaking: (i) an assessment of environmental health implication of harmful chemicals and waste and options for risk management; and (ii) an economic analysis of the e-waste management sector.</p> |

| | |
|--|---|
| | <p>(g) Supporting coordination and participation of key stakeholders in regional learning and knowledge sharing activities on the harmful chemicals agenda including sharing experience in the application of sound technological and chemical management.</p> <p>(ii) Policy Dialogue and Regulatory enhancements</p> <p>(a) Development and implementation of a strategy for the reduction of emissions and releases of, and exposure to, harmful chemicals and hazardous waste.</p> <p>(b) Development and dissemination of e-waste management regulations.</p> <p>(c) Carrying out assessment on exposure of vulnerable populations to harmful chemicals, development of policy measures to prevent the said exposure and dissemination of appropriate information to stakeholders and affected communities.</p> <p>(d) Strengthening measures for monitoring the flow of e-waste including recycling disposal; Use of cleaner technologies; and development of an appropriate communication strategy.</p> <p>(e) Development of a national integrated framework for monitoring and evaluation of e-waste management.</p> <p>(iii) Demonstration of Application of Technological Tools and economic Approaches</p> <p>(a) Carrying out analysis of current national and county plans on integrated waste management and developing an inventory of harmful substances and identifying priorities and institutional capacity building needs.</p> <p>(b) Carrying out pilot projects in selected counties on implementation of integrated waste management approach to reduce releases of POPs from e-waste including associated capacity building for all relevant stakeholders (including government, civil</p> |
|--|---|

Africa Environmental Health and Pollution Management Project (AEHPMP)
Annual Report and Financial Statements for the financial year ended June 30, 2023

| | |
|--|---|
| | <p>society organizations, and private sector); investment in infrastructure for the entire e-waste management cycle; and developing protocols and methodologies for assessment of environmental health risks associated with e-waste.</p> <p>(iv) Project Coordination and management</p> <p>Providing technical support, advisory services and operating costs for project coordination, management as well as monitoring and evaluation at national and county levels including implementation and supervision of project activities, administration of procurement and financial management as well as environmental and social risks management.</p> |
| <p>Other important background information of the project</p> | <p>The project is consistent with the Country priorities as provided in the Kenyan Development Blue Print popularly referred to as the Kenya Vision 2030 that address the development challenges in Kenya and focuses the country economic development agenda. The project will directly contribute to the Vision 2030 in addressing solid waste challenges and economic pillar by providing opportunities for job creation through e-waste valuation chain initiative. The project will also make contribution to the National Solid Waste Management Strategy 2015, Sustainable Waste Management Act, 2022, and the provisions of the Waste management Regulations of 2006. The project is aligned with the National Implementation Plan (NIP) for Kenya (2014), which sets out the roadmap and methodology for implementing the Stockholm Convention in the country. The project finally advances Article 42 of the Constitution of Kenya, 2010 on ensuring a clean and healthy environment.</p> |

*Africa Environmental Health and Pollution Management Project (AEHPMP)
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| | |
|---|--|
| <p>Areas that the project was formed to intervene</p> | <p>The project was formed to intervene due to the in-effective management of e-waste in Kenya which presents potentially devastating impacts to the environment and human health. For instance, improper disposal of e-waste which enter in open dumpsites may lead to release of unintentionally produced persistent organic pollutants (UPOPs) from inappropriately disposed electrical and electronic waste (e-waste) which can travel long distances, causing transboundary impacts, such as ailments that cause diminished intelligence. These are regional-level problems, which cannot be solved through the efforts of solitary countries; they require joint and coordinated efforts across countries and at the regional level. Without action, the number of deaths and sick people due to exposure to such pollution would increase exponentially in the future.</p> |
| <p>Project duration</p> | <p>The project started on 14th August 2020 and is expected to run until 31st July 2025</p> |

*Africa Environmental Health and Pollution Management Project (AEHPMP)
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Project Information and Overall Performance (Continued)

1.4 Bankers

The bank for the current year:
Kenya Commercial Bank Ltd
KCB Gateway House-4026
P.O. Box 27618-00506, Nairobi

1.5 Auditors

The project is audited by the Office of the Auditor General
P.O Box 30084-00100
Nairobi, Kenya

1.6 Roles and Responsibilities

People working on the project, including the project manager and all the key stakeholders.

| Names | Title designation | Key qualification | Responsibilities |
|-------------------|-------------------------------|---|---|
| Mamo B. Mamo | Director General | Master of Science Environmental Education | Overall program leadership |
| Dr. Charles Lange | Project Coordinator | Doctor of Philosophy (PHD) | Coordinate overall programme activities in NEMA |
| Kennedy Ochuka | Finance Management Specialist | Master of Business Administration (MBA) | Financial management |
| Linda Kosgei | Legal Expert | Master of Laws (LLM) | Legal advice |

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| | | | |
|-------------------|-----------------------------------|---|--|
| Selessor Odipoh | Monitoring and Evaluation officer | Bachelor of education (Science) Certificate Monitoring and Evaluation | Project progress monitoring and evaluation |
| Léonard Tampushi | Technical advisor | Master of science | Technical advisory |
| Michael Omusula | Project Accountant | Master of Business Administration (MBA) | Project accounting and reporting |
| Evans Nyabuto | Communication Specialist | Master of Communications | Coordinate communication for the project |
| Sylvester Maithya | GIS Expert | Master of Science Geographical Information Systems | Geographical Information Systems, Cartography and knowledge management |
| Francis Chwanya | E-waster Specialist | Master in Environmental Studies | E-waste advice |
| Newton Osoro | ESS Specialist | Master of Science Environmental Studies | Coordinate of environmental and social management |
| Martin Mwiti | Procurement Specialist | Bachelor of Procurement and Supply Chain Management | Coordinate procurement |
| Georgina Minis | Awareness | Master of Arts (Project planning) | Coordinate awareness activities |

*Africa Environmental Health and Pollution Management Project (AEHPMP)
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| | | | |
|-------------------|-------------------|------------------------------------|----------------------------------|
| | | & Management) | |
| Benedict Musyoki | Senior Accountant | Master of Science (Finance) | Project accounting and reporting |
| Eliud Kinyua | ICT Officer | Bachelor of Information Technology | ICT support |
| Gladys Waigwe | Office Assistant | CPA | Office administration |
| Roseline Jepkemoi | Secretary | Secretarial course | Logistics and record keeping |

1.7 Funding summary

The Project is for a duration of 5 years from 2020 to 2025 with an approved budget of US\$ 8,073,395 equivalent to Kshs 861,834,916 as highlighted in the table below:

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

| Source of funds | Donor Commitment- | | Amount received to date – (30 June 2023) | | Undrawn balance to date | |
|-----------------|-------------------|--------------------|---|--------------------|-------------------------|--------------------|
| | USD (A) | Kshs (A') | USD (B) | Kshs (B') | USD (A)-(B) | Kshs (A')-(B') |
| (i) Grant | | | | | | |
| World Bank | 8,073,395 | 861,834,916 | 1,178,968 | 133,167,749 | 6,894,427 | 728,667,168 |
| Total | 8,073,395 | 861,834,916 | 1,178,968 | 133,167,749 | 6,894,427 | 728,667,168 |

B. Application of Funds

| Application of funds | Amount received to date – (30 th June 2023) | | Cumulative amount paid to date – (30 th June 2023) | | Unutilised balance to date (30 th June 2023) | |
|----------------------|---|--------------------|---|-------------------|--|-------------------|
| | USD (A) | Kshs (A') | USD (B) | Kshs (B') | USD (A)-(B) | Kshs (A')-(B') |
| (i) Grant | | | | | | |
| World Bank | 1,178,968 | 133,167,749 | 659,548 | 70,406,729 | 519,420 | 62,761,020 |
| Total | 1,178,968 | 133,167,749 | 659,548 | 70,406,729 | 519,420 | 62,761,020 |

Project information and overall performance (continued)
1.8 Summary of Overall Project Performance:

- i) **Budget performance against actual amounts for current year and for cumulative to-date,**
The Authority was allocated a budget of Kshs 178,000,000 during the 2022/23 financial year, having a total actual expenditure of Kshs 48,909,129. The total receipts during the financial year amounted to Kshs 35,513,985. Cumulatively, the project has been allocated a budget of Kshs 320,600,000 and has cumulatively received Kshs 133,167,749 against an actual expenditure of Kshs 70,406,729.

- ii) **Physical progress based on outputs, outcomes, and impacts since project commencement,**

1. Output 1: Institutional Strengthening, Knowledge and Capacity Building

- During the period, National Steering Committee and Technical Advisory Committee meetings were held.
- Country wide situation analysis on solid waste including review and development of national e-waste inventory to inform sustainable management of e-waste completed inception report and continued
- Consultancy to Develop protocols to monitor, screen and evaluate health and environmental risks associated with e-waste and related UPOP release completed inception report and continued.
- Consultancy on capacity building of NEMA and Ministry of Environment & Forestry and relevant stakeholders on e-waste management undertaken.
- The project undertook an outreach during the World Clean-up day at Kwale, coastal Kenya on 17th September, 2022.
- Project outreach was also undertaken during the Nairobi International Trade Fair/Show event, in Nairobi show ground on 26th September to 2nd October, 2022.

2. Output 2: Policy Dialogue and Regulatory enhancements

- Consultancy Services for development of Project Communication Strategy completed and consultants commenced publicity part of the consultancy.
- In-line with the project twelve (12) months' work-plan, further review with stakeholders of the Kenya State of Environment preparation manual mainstreaming E-waste and Solid Waste Monitoring and evaluation framework (indicators) was undertaken, and some relevant data profiles identified.
- UPOPs emissions from municipal dumpsites and industrial areas in Kenya monitoring protocol was completed and monitoring guided by the protocol commenced at Nakuru, Nairobi, Mombasa and Nairobi with installation of monitoring devices in July/August, 2022. Collection of filters, dumpsites leachates and soils was done on October, 2022 and the samples are kept at UoN awaiting shipment for analysis.

3. Output 3: Demonstration of Application of Technological Tools and

economic Approaches

- During the period, the following was realized in setting the demonstration pilot;
- NEMA Board of Management led by BOM chair visited KOTDA on 26th August, 2022 for follow-up on the allocation of land estimated to be about 2.4 Acres for the demonstration pilot.
 - NEMA filed papers required for commencing processing of the land for the demonstration pilot.
 - Demonstration pilot land mapped by surveyors from KOTDA an estimated to be about 2.4 Acres
 - Working with KOTDA to process sub-lease.

4. Output 4: Project Coordination and management

- Project vehicle was delivered.
- Project staff on-boarding continued.
- Procurement of office consumables undertaken.
- Retreat meetings and World Bank missions held.

!!!!) Comment on value-for-money achievements,

- The project presents value for money as has realized the project activities and outputs provided in workplan/s with budgets allocated.

iv) Indicate the absorption rate for each year since the commencement of the project.

During the financial year 2022/2023, the total budget as per the estimates was Kshs 178,000,000. Against this budget, the expenditure for the period amounted to Kshs 48,909,129 translating to an absorption of 27.5%.

v) List the implementation challenges and recommended way forward.

Though the project initially witnessed challenges associated with low absorption rate for the funds allocated under the project and COVID-19 pandemic, the project is now on track and is expected to realize the activities and outputs timely.

1.9 Summary of Project Compliance:

The project has not had any case of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants.

3. Statement of Performance against Project's Predetermined Objectives

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key development objectives of the project's agreement/plan are:

- a) Institutional Strengthening, Knowledge and Capacity Building
- b) Policy Dialogue and Regulatory enhancements
- c) Demonstration of Application of Technological Tools and economic approaches
- d) Project Coordination and management

Progress on attainment of strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement:

Below we provide the progress on attaining the stated objectives:

| Project | Objective | Outcome | Indicator | Performance |
|----------------|--|--|--|--|
| Part I | Institutional Strengthening, Knowledge and Capacity Building | Improved institutional capacity with expertise on management of e-waste at national and regional level | a. Held National Steering Committee (NSC), Technical Advisory Committee (TAC) and Project Coordinating Unit (PCU) meeting/s, b. Outreaches undertaken. c. Trained NEMA and stakeholders' officers/inspection officers (Number) | - In FY 22/23 we capacity build NEMA and stakeholders amounting to 64 participants. - 2 Outreaches at connected summit and Nairobi International Trade Fair - 2 NSC, TAC & PCU held. |

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| | | | | |
|--------|---|---|--|---|
| Part 2 | Policy Dialogue and Regulatory enhancements | Policy/Legal frameworks interventions on e-waste and mercury designed and consulted | <p>a. Held meeting for further development of e-waste regulations and unbundling of Sustainable Waste management Act, 2022</p> <p>b. Stakeholder communication strategy developed</p> | <p>In FY 22/23</p> <ul style="list-style-type: none"> • Draft E-waste regulations updated and roadmap for development of regulations done. • Draft National State of Environment (NSoE) report and Manual to mainstream e-waste & solid waste updated. • Project Communication strategy delivered. |
| Part 3 | Demonstration of Application of Technological Tools and economic approaches | Communities involved in planning, implementation and evaluation of demonstration pilots | <p>a. Process of land acquisition for establishing demonstration pilot continued</p> <p>b. Private sector in selected e-waste pilot project sites engaged</p> <p>c. Assessment of UPOPs done</p> | <ul style="list-style-type: none"> • Konza Technopolis Development Authority (KoTDA) provided letter confirming availability of the land for establishing the demonstration pilot. Private sector engagement meeting held at Machakos Field assessment of UPOPs at Mombasa, Kisumu, Nairobi and |

*Africa Environmental Health and Pollution Management Project (AEHPMP)
Annual Report and Financial Statements for the financial year ended June 30, 2023*

| | | | | |
|--------|---|---|------------------------|---|
| | | | | Nakuru. |
| Part 4 | Project Coordination and management | Overall project coordination and management | Project objectives met | In FY 22/23 <ul style="list-style-type: none"> • Some project staff on-boarded. • Procurement of office furniture and computer equipment initiated. • Motor vehicle procured. • World Bank mission held. |

4. Environmental and Sustainability reporting

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

1. Sustainability strategy and profile

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

2. Environmental performance

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

Policy Objectives

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

- Assist NEMA to examine their tools, instruments of engagement with the partners, stakeholders and regulated constituencies in order to integrate aspects that demonstrate environmental sustainability and climate change compliance
- Other milestones the Authority has made in environmental sustainability include;

1. Reviewing of EMCA, 1999 so as to strengthen the regulatory framework for Environmental Management,
2. Implementation on the Ban of single use plastic bag
3. Green points design and construction incorporated aspects such as rainwater harvesting, waste water recycling technologies, low energy consumption, among other features in order to practically interpret the green economy concept in our context here in Kenya.

4. Development of environmental sustainability curriculum for internal and external clients training

Challenges

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

3. Employee welfare

NEMA has human resource policies and procedures manual which guides on the recruitment process from vacancy identification to new hire induction. The policy takes into account the gender, women and disability considerations. On careers, we have a progressive career guideline. Annual staff performance appraisals are conducted and rewards and sanctions determined. Capacity

building of staff is through formal and on job trainings. NEMA is working on safety policy which will be in compliance with Occupational Safety and Health Act of 2007, (OSHA)

4. Market place practices-

a) Responsible Supply chain and supplier relations-

The project ensures all procurement activities are carried out in accordance with World Bank procurement regulations and the Government of Kenya public procurement law and regulations. The Authority adheres to the Presidential directive on Access to Government Procurement Opportunities (AGPO) which ensures youth, women and people living with disabilities as individuals or in organized groups benefit. All suppliers are paid within reasonable time after executing their contractual obligations.

b) Responsible ethical practices

The project is guided by NEMA anti-corruption policy. Adherence to NEMA core values and ensures ethical practices.

c) Regulatory impact assessment

The project is committed to promoting transparency and accountability this ensures citizen and stakeholder's rights are safeguarded.

5. Community Engagements

The Authority is committed to uplifting the standards of living of the communities' areas it operates in all over the country. As a supervisor and coordinator of all environmental matters in Kenya, our work and conduct are driven by the Authority's core values. The Authority's CSR program is focused on creating and maintaining a strong bond with the community and its stakeholders.

To this end, the Authority's CSR initiatives provide communities with opportunities for engagement that touch on three (Environmental, Economic and Social) broad CSR pillars. The Authority intends to carry out CSR activities which will benefit the community and its stakeholders.

5. Statement of Project Management responsibilities

The Director General, the Finance Management Specialist and the Project Coordinator for Africa Environmental Health and Pollution Management Project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year period ended on June 30, 2023. 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 Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Director General, the Finance Management Specialist and the Project Coordinator for Africa Environmental Health and Pollution Management Project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Director General, the Finance Management Specialist and the Project Coordinator for Africa Environmental Health and Pollution Management Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial period ended June 30, 2023, and of the Project's financial position as at that date. The Director General, the Finance Management Specialist and the Project Coordinator for Africa Environmental Health and Pollution Management Project further confirm the



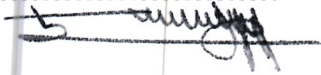
*Africa Environmental Health and Pollution Management Project (AEHPMP)
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completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The Director General, the Finance Management Specialist and the Project Coordinator for Africa Environmental Health and Pollution Management Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project financial statements were approved by the Director General, the Finance Management Specialist and the Project Coordinator for the Africa Environmental Health and Pollution Management Project on _____ 2023 and signed by them.

| | | |
|--|--|---|
|  Mamo B. Mamo, FBS Director General |  Dr. Charles Lange Project Coordinator |  Kennedy Ochuka Finance Management Specialist |
|--|--|---|

ICPAK Member No:3872

REPUBLIC OF KENYA



Enhancing Accountability

OFFICE OF THE AUDITOR-GENERAL

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

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

REPORT OF THE AUDITOR-GENERAL ON AFRICA ENVIRONMENTAL HEALTH AND POLLUTION MANAGEMENT PROJECT (EHPMP) FOR THE YEAR ENDED 30 JUNE, 2023 – NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY

PREAMBLE

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

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.

C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Africa Environmental Health and Pollution Management Project (AEHPMP) set out on pages 1 to 19, which comprise the

Report of the Auditor-General on Africa Environmental Health and Pollution Management Project (EHPMP) for the year ended 30 June, 2023 – National Environment Management Authority

statement of financial assets as at 30 June, 2023, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Africa Environmental Health and Pollution Management Project (AEHPMP) as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis), the Public Finance Management Act, 2012 and comply with the Global Environment Facility Grant Agreement Number TFOB3322.

Basis for Opinion

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The summary statement of comparison of budget and actual amounts reflects receipt budget and actual on a comparable basis of Kshs.178,000,000 and Kshs.35,513,985 respectively, resulting in a shortfall of Kshs.142,486,015 or 80 % of the budget. Similarly, the project expended Kshs.48,909,129 against a budget of Kshs.178,000,000 resulting to an under-expenditure of Kshs.129,090,871.

In the circumstances, the under-funding and under expenditure of the project funds affected the planned activities and programs and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 4000. The Standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by International Bank for Reconstruction and Development, I report based on my audit, that:

i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of those records of the audit;

ii. In my opinion, adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and,

iii. The Project's financial statements are in agreement with the accounting records and returns

Responsibilities of the Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

report. However, future events or conditions may cause the Project to cease to sustain its services.


- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Maney Gathungu, CBS
AUDITOR-GENERAL

Nairobi

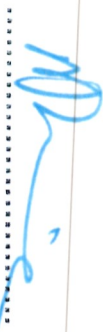
10 November, 2023

*Africa Environmental Health and Pollution Management Project (AEHPMP)
Annual Report and Financial Statements for the financial year ended June 30, 2023*

7. Statement of Receipts and Payments for the year ended 30th June 2023.

| | 2022-2023 | | | 2021-2022 | | | Cumulative to-date (From inception) |
|-------------------------------------|--|--------------------------------|----------|---|--------------------------------|----------|-------------------------------------|
| | Receipts and payments controlled by the entity | Payments made by third parties | Total | Receipts and payment controlled by the entity | Payments made by third parties | Total | |
| Receipts | Kshs. | Kshs. | Kshs. | Kshs. | Kshs. | Kshs. | Kshs. |
| Proceeds from foreign grants | 2 | 35,513,985 | - | 35,513,985 | 97,653,764 | - | 133,167,749 |
| Total receipts | | 35,513,985 | - | 35,513,985 | 97,653,764 | - | 133,167,749 |
| Payments | | | | | | | |
| Compensation to employees | 5 | 3,162,956 | - | 3,162,956 | - | - | 3,162,956 |
| Purchase of goods and services | 6 | 45,746,173 | - | 45,746,173 | 20,607,950 | - | 66,354,123 |
| Acquisition of non-financial assets | 8 | - | - | - | 889,650 | - | 889,650 |
| Total payments | | 48,909,129 | - | 48,909,129 | 21,497,600 | - | 70,406,729 |
| (Deficit)/Surplus | | (13,395,144) | - | (13,395,144) | 76,156,164 | - | 62,761,020 |

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.


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Mamo B. Mamo, EBS

Director General


.....

Dr. Charles Lange

Project Coordinator


.....

Kennedy Ochuka

Finance Management Specialist

ICPAK Member No:3872

*Africa Environmental Health and Pollution Management Project (AEHPMP)
Annual Report and Financial Statements for the financial year ended June 30, 2023*

8. Statement of Financial Assets as at 30th June 2023

| Description | 2022-2023 | 2021-2022 |
|---------------------------------|--------------|------------|
| | Kshs | Kshs |
| Financial Assets | | |
| Cash and Cash equivalents | 62,761,020 | 76,156,164 |
| Bank Balances | 11 | |
| Total Cash and Cash equivalents | 62,761,020 | 76,156,164 |
| Total Financial Assets | 62,761,020 | 76,156,164 |
| Represented By | | |
| Fund Balance B/fwd. | 14 | - |
| (Deficit)/Surplus for the Year | (13,395,144) | 76,156,164 |
| Net Financial Position | 62,761,020 | 76,156,164 |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 2023 and signed by:

Mamo B. Mamo, EBS
Director General

Dr. Charles Lange
Project Coordinator

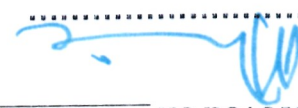
Kennedy Ochuka
Finance Management
Specialist
ICPAK Member No:3872

9. Statement of Cashflow for the year ended 30th June 2023

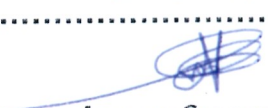
| Description | Notes | 2022-2023 | 2021-2022 |
|---|-------|--------------|------------|
| | | Kshs | Kshs |
| Cashflow from operating activities | | | |
| Receipts | | | |
| Proceeds from domestic and foreign grants | 2 | 35,513,985 | 97,653,764 |
| Total receipts | | 35,513,985 | 97,653,764 |
| Payments | | | |
| Compensation to employees | 5 | 3,162,956 | - |
| Purchase of goods and services | 6 | 45,746,173 | 20,607,950 |
| Total Payments | | 48,909,129 | 20,607,950 |
| Net cash flow from operating activities | | (13,395,144) | 77,045,814 |
| Cashflow from investing activities | | | |
| Acquisition of non-financial assets | 8 | - | 889,650 |
| Net cash flows from investing activities | | - | 889,650 |
| Net increase in cash and cash equivalents | | (13,395,144) | 76,156,164 |
| Cash and cash equivalent at beginning of the year | 11 | 76,156,164 | - |
| Cash and cash equivalent at end of the year | 11 | 62,761,020 | 76,156,164 |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on _____ 2023 and signed by:

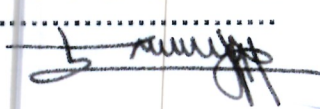
Director General
Mamo B. Mamo, FBS



Project Coordinator
Dr. Charles Lange




Finance Management
Kennedy Ochuka
Specialist
ICPAK Member No:3872




10. Statement of Comparison of Budget and Actual amounts for the year ended 30th June 2023

| Receipts/Payments Item | Original Budget a | Adjustments b | Final Budget c=a+b | Actual on Comparable Basis d | Budget Utilization Difference e=c-d | % of Utilization f=d/c % |
|---|----------------------|------------------|-----------------------|---------------------------------|--|-----------------------------|
| Receipts | | | | | | |
| Proceeds from domestic and foreign grants | 178,000,000 | - | 178,000,000 | 35,513,985 | 142,486,015 | 20% |
| Total Receipts | 178,000,000 | - | 178,000,000 | 35,513,985 | 142,486,015 | 20% |
| Payments | | | | | | |
| Compensation to employees | 6,000,000 | - | 6,000,000 | 3,162,956 | 2,837,044 | 53% |
| Purchase of goods and services | 62,000,000 | - | 62,000,000 | 45,746,173 | 16,253,827 | 74% |
| Acquisition of non-financial assets | 110,000,000 | - | 110,000,000 | - | 110,000,000 | - |
| Total Payments | 178,000,000 | - | 178,000,000 | 48,909,129 | 129,090,871 | 27% |
| Deficit | - | - | - | (13,395,144) | | |


Note: The significant budget utilisation/performance differences in the last column are explained in Annex 1 to these financial statements.



Mamo B. Mamo, FBS
Director General



Dr. Charles Lange
Project Coordinator



Kennedy Ochuka
Finance Management Specialist
ICPAK Member No:3872

11. Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

11.1 Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of accounting, as prescribed by the PSASB and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

11.2 Reporting entity

The financial statements are for Africa Environmental Health and Pollution Management Project under the National Environment Management Authority (NEMA). The financial statements are for the reporting entity Africa Environmental Health and Pollution Management Project as required by Section 81 of the PFM Act, 2012.

11.3 Reporting currency

The financial statements are presented in Kenya Shillings (Kshs), which is the functional and reporting currency of the Project and all values are rounded to the nearest Kenya Shilling.

11.4 Recognition of receipts

Africa Environmental Health and Pollution Management Project recognises all receipts from the various sources when the event occurs, and the related cash has actually been received.

i) Transfers from the Exchequer

Transfer from Exchequer is recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

ii) External Assistance

External assistance is monies received through grants and loans from multilateral and bilateral development partners. These are recognized when cash is received.

iii) Donations and grants

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

iv) Proceeds from borrowing

Borrowing includes external loans acquired by the Project or any other debt the Project may take and will be treated on cash basis and recognized as a receipt during the year they were received.

v) Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary.

11.5 Recognition of payments

The Project recognizes all payments when the event occurs, and the related cash has actually been paid out by the Project.

i) Compensation to employees

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

ii) Use of goods and services

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. If not paid for during the period where goods/services are consumed, they shall be disclosed as pending bills.

iii) Interest on borrowing

Borrowing costs that include interest are recognized as payment in the period in which they incur and paid for.

iv) Repayment of borrowing (principal amount)

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the consolidated financial statements.

v) Acquisition of fixed assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

11.6 In-kind donations

In-kind contributions are donations that are made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Project includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

11.7 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 the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term

cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

11.8 Restriction on cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits.

11.9 Imprests and Advances

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or A/E holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

11.10 Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
 - i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/support, insurance, Public Private Partnerships, Africa Environmental Health and Pollution Management Project does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. There were no contingent liabilities during the year under review.

iii) Interest on borrowing

Borrowing costs that include interest are recognized as payment in the period in which they incur and paid for.

iv) Repayment of borrowing (principal amount)

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the consolidated financial statements.

v) Acquisition of fixed assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

11.6 In-kind donations

In-kind contributions are donations that are made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Project includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

11.7 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 the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term

cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

11.8 Restriction on cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits.

11.9 Imprests and Advances

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

11.10 Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
 - i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities, Letters of comfort/ support, insurance, Public Private Partnerships, Africa Environmental Health and Pollution Management Project does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. There were no contingent liabilities during the year under review.

11.11 Contingent Assets

Africa Environmental Health and Pollution Management Project does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Africa Environmental Health and Pollution Management Project in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs. There were no contingent assets during the year under review.

11.12 Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance'. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

11.13 Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding interest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation. A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex 1 to these financial statements.

11.14 Third party payments

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments. They are disclosed in the payment to third parties' column in the statement of receipts and payments. During the year, there were no loan disbursements received in form of direct payments from third parties.

11.15 Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

11.16 Comparative figures

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

11.17 Subsequent events

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

11.18 Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). There were no prior period adjustments as this is the first period of the project.

12. Notes to the Financial Statements

1. Transfers from Government entities

There was no counterpart funding or any other receipts from government.

2. Proceeds From Domestic and Foreign Grants

During the financial period to 30 June 2023, we received grants from the donor as detailed in the table below:

| Name of Donor | Date received | Amount received in donor currency | Grants received in cash | Grants received as direct payment | Grants received in kind | Total amount in Kshs |
|--|---------------|-----------------------------------|-------------------------|-----------------------------------|-------------------------|----------------------|
| | | USD | Kshs | Kshs | Kshs | Kshs |
| | | | | | | 2021-2022 |
| | | | | | | 2022-2023 |
| Grants Received from Multilateral Donors (International Organizations) | | | | | | |
| World Bank | 06/07/2022 | 90,280 | 10,592,552 | - | - | 87,748,500 |
| | 23/06/2023 | 178,969 | 24,921,433 | - | - | 9,905,264 |
| Total | | 269,249 | 35,513,985 | - | - | 97,653,764 |

3. Loan from External Development Partners

During the financial period to 30 June 2023, we did not receive funding from development partners in form of loans.

4. Miscellaneous receipts

During the financial period to 30 June 2023, we did not have any miscellaneous receipts.

Notes to the Financial Statements (Continued)

5. Compensation to Employees

| Description | 2022/2023 | | 2021/2022 | |
|---------------------------|-------------------------------------|--------------------------------|----------------|----------------|
| | Payments made by the Entity in Cash | Payments made by third parties | Total payments | Total payments |
| Compensation to Employees | 3,162,956 | - | 3,162,956 | - |
| Total | 3,162,956 | - | 3,162,956 | - |

6. Purchase of Goods and Services

| Description | 2022/2023 | | 2021/2022 | |
|---|-----------------------|--------------------------------|----------------|----------------|
| | Payments made in Cash | Payments made by third parties | Total payments | Total payments |
| Communication, supplies and services | 1,792,001 | - | 1,792,001 | - |
| Domestic travel and subsistence | 24,775,662 | - | 24,775,662 | 14,838,822 |
| Foreign travel and subsistence | 2,598,176 | - | 2,598,176 | 1,141,893 |
| Printing, advertising, and information supplies | 4,845,373 | - | 4,845,373 | 769,106 |
| Training payments | 338,000 | - | 338,000 | 245,250 |
| Hospitality supplies and services | 6,233,510 | - | 6,233,510 | 2,938,138 |
| Specialized consultancy services | 4,765,373 | - | 4,765,373 | - |
| Other operating payments | 379,602 | - | 379,602 | 171,134 |
| Routine maintenance- other assets | 18,476 | - | 18,476 | 503,607 |
| Total | 45,746,173 | - | 45,746,173 | 20,607,950 |

Notes to the Financial Statements (Continued)

7. Social Security Benefits

During the financial period to 30 June 2023, we did not have any social security payments.

8. Acquisition of Non-Financial Assets

| Description | Payments made in Cash | Payments made by third parties | 2022-2023 | | 2020-2021 | |
|--------------------------------------|-----------------------|--------------------------------|----------------|----------------|-----------|----------|
| | | | Kshs. | Kshs. | Kshs. | Kshs. |
| Purchase of computer Equipment | - | - | 443,750 | 443,750 | - | - |
| Purchase furniture and Fittings | - | - | 265,900 | 265,900 | - | - |
| Purchase of office & other Equipment | - | - | 180,000 | 180,000 | - | - |
| Total | = | = | 889,650 | 889,650 | = | = |

9. Transfers to other Government Entities

During the financial period to 30 June 2023, there were no transfers to other government entities during the year.

10. Other Grants, Transfers and Payments

During the financial period to 30 June 2023, there were no other grants, transfers and payments.

11. Cash And Cash equivalents

| Description | 2022-2023 | 2021-2022 |
|--|-------------------|-------------------|
| Bank accounts (Note 11A) | 62,761,020 | 76,156,164 |
| Cash in hand | - | - |
| Cash equivalents (short-term deposits) | - | - |
| Total | 62,761,020 | 76,156,164 |

Notes to the Financial Statements (Continued)

Africa Environmental Health and Pollution Management Project has one project account for project implementation.

11. A Bank Accounts

Project Bank Accounts

| Details | 2022-2023 | 2021-2022 |
|--|------------|------------|
| | Kshs | Kshs |
| Local Currency Accounts | | |
| Kenya Commercial Bank [A/c No 1285063546] | 62,761,020 | 76,156,164 |
| Total local currency balances | 62,761,020 | 76,156,164 |
| Total bank account balances | 62,761,020 | 76,156,164 |

Notes to the Financial Statements (Continued)

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2022 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule which shows the flow of funds that were voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

Special Deposit Accounts Movement Schedule

| Description | 2022-2023 | 2021-2022 |
|--|----------------|----------------|
| | USD | USD |
| (i) African environmental health & pollution mgt [A/c No. 1000472316] | | |
| Opening balance | 178,970 | 178,000 |
| Total amount deposited in the account | 148,850 | 178,969 |
| Total amount withdrawn (as per Statement of Receipts & Payments) | 178,969 | 87,719 |
| Total amount withdrawn (In Transit) | - | 90,280 |
| Closing balance (as per SDA bank account reconciliation attached) | 148,851 | 178,970 |

The Special Deposit Account reconciliation statement has been attached as Annex 6 to support these closing balance.

Notes to the Financial Statements (Continued)

12 B Cash in hand

The project does not have cash-in-hand operations.

11 C Cash equivalents (short-term deposits)

The project does not have short-term deposits.

12. Imprests and Advances

The imprests and advances as at 30/06/2023 have all been accounted for.

13. Deposits and Retention Monies

The project did not have deposits and retention monies as at 30/06/2023.

14. Fund Balance Brought Forward

| Description | 2022-2023 | 2021-2022 |
|--|-------------------|-----------|
| | Kshs | Kshs |
| Bank accounts | 76,156,164 | - |
| Cash in hand | - | - |
| Cash equivalents (short-term deposits) | - | - |
| Outstanding imprests and advances | - | - |
| Deposits and retention | - | - |
| Total | 76,156,164 | - |

Notes to the Financial Statements (Continued)

15. Prior Year adjustment

There was no prior year adjustment during the year.

16. Changes in Receivable

There were no changes in receivable during the year.

17. Changes in Accounts Payable

| Description | 2022-2023 | 2021-2022 |
|--|-------------|-----------|
| | Kshs | Kshs |
| Closing accounts payables as at 1 st July 2022 | 5,787,898 | - |
| Closing accounts payables as at 30 th June 2023 | - | 5,787,898 |
| Change in payables | (5,787,898) | 5,787,898 |

13. Other Important Disclosures

1. Pending Accounts Payables

| Description | Balance b/f FY 2021/2022 | Additions for the period | Paid during the year | Balance c/f FY 2022/2023 |
|--------------------|--------------------------|--------------------------|----------------------|--------------------------|
| Supply of goods | 4,452,500 | - | 4,452,500 | - |
| Supply of services | 804,802 | - | 804,802 | - |
| Total | 5,257,302 | - | 5,257,302 | - |

2. Pending Staff Payables

| Description | Balance b/f FY 2021/2022 | Additions for the period | Paid during the year | Balance c/f FY 2022/2023 |
|-------------------|--------------------------|--------------------------|----------------------|--------------------------|
| Senior management | 172,200 | - | 172,200 | - |
| Middle management | 439,991 | - | 439,991 | - |
| Total | 612,191 | - | 612,191 | - |

3. External Assistance


The project did not have any external assistance during the year.

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14. Annexes

Annex 1 - Prior Year Auditor-General's Recommendations

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|---|---|---|---|
| Other Matter | Slow absorption of the project funds | The project has put in place strategies for fast-tracking absorption of the funds by unbundling the project for the remaining three years and spread the project funds in the remaining period providing a clear pathway for ensuring absorption of all project funds by July 2025. | Not resolved | 30/06/2024 |

.....

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

.....

.....
Dr. Charles Lange
Project Coordinator

Annex 2 - Variance explanations - Comparative Budget and Actual amounts for FY 2022-2023

| Receipts/Payments Item | Final Budget a | Actual on Comparable Basis b | Budget Utilization Difference c=a-b | % of Utilization d=b/a % | Comments on Variance (below 90% and over 100%) |
|---|-------------------|---------------------------------------|--|--------------------------------|--|
| Receipts | | | | | |
| Proceeds from domestic and foreign grants | 178,000,000 | 35,513,985 | 142,486,015 | 20% | The project could not disburse all the funds as budgeted due to low absorption |
| Total Receipts | 178,000,000 | 35,513,985 | 142,486,015 | 20% | |
| Payments | | | | | |
| Compensation to employees | 6,000,000 | 3,162,956 | 2,837,044 | 53% | Some staff were not in place for the whole year |
| Purchase of goods and services | 62,000,000 | 45,746,173 | 16,253,827 | 74% | Low absorption due to delays in procurement of consultancies and execution |
| Acquisition of non-financial assets | 110,000,000 | - | 110,000,000 | - | Delay in commencement of construction of main demonstration pilot at Konza |
| Total Payments | 178,000,000 | 48,909,129 | 129,090,871 | 27% | |
| Deficit | - | (13,395,144) | | | |

*Africa Environmental Health and Pollution Management Project (AEHPMP)
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Annex 3: Reconciliation of inter-entity transfers

| Project Name: | | Break down of transfers from the Ministry of Environment and Forestry FY 2022-2023 | |
|-----------------|---------------------|--|---|
| A. GRANT | Bank Statement Date | Amount (Kshs) | Indicate the FY to which the amounts relate |
| | 06/07/2022 | 10,592,552 | 2021/2022 |
| | 23/06/2023 | 24,921,433 | 2022/2023 |
| | Total | 35,513,985 | |

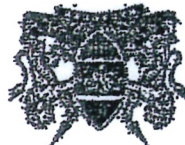
The above amounts have been communicated to and reconciled with the Ministry of Environment and Forestry

Dr. Charles Lange
Project Coordinator
Africa Environmental Health and Pollution Management Project

Head of Accounting Unit
Ministry of Environment Climate Change
and Forestry

Sign 

Sign-----



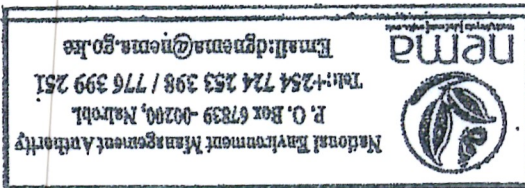
MINISTRY ENVIRONMENT, CLIMATE CHANGE AND FORESTRY
State Department for Environment and Climate Change

N.H.I.F. BUILDING
 BAGATI ROAD
 P. O. BOX 30126
 NAIROBI

18th August, 2023

Ref. No: MECF/ACC/FIN/28 VOLV

Reg: "NATURE", Nairobi
 Telephone: 020-270000/270001/270002
 Fax: 020-270003
 Email: peff@environment.go.ke
 Website: www.environment.go.ke



Director General
 National Environment Management
 Authority (NEMA)
 NAIROBI.

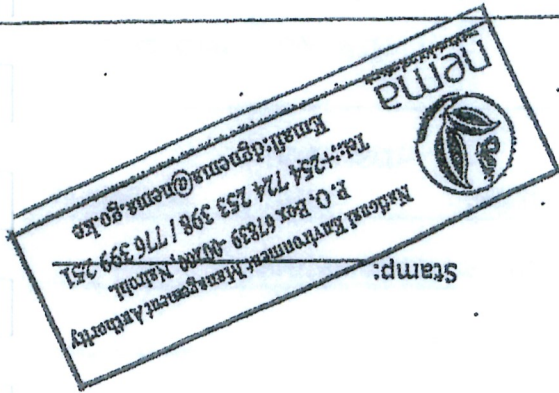
CONFIRMATION OF EXCHIEFER DISBURSEMENT

The above subject matter refers. The Ministry of Environment and Forestry wishes to confirm the amounts disbursed to you as at 30th June 2023 as indicated in the table below. Kindly compare with the funds received then sign and stamp this request in the space provided and return it to us.

| NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY | | | | | |
|--|-----------|-----------|-------------------------|------------------------|--------------------------|
| CONFIRMATION OF FUNDS DISBURSED BY THE MINISTRY AS AT 30 JUNE 2023 | | | | | |
| REFERENCE | DATE | DISBURSED | RECURRENT (Kshs) (A) | DEVELOPMENT (Kshs) (B) | TOTAL (Kshs) (C) = (A+B) |
| FT222345G3RY | 22/08/22 | | 286,000,000.00 | | 286,000,000.00 |
| FT223206196Y | 16-Nov-22 | | 286,000,000.00 | | 286,000,000.00 |
| FT23034VD3T0 | 3-Feb-23 | | 286,000,000.00 | | 286,000,000.00 |
| FT231570T058 | 6-Jun-23 | | 191,000,000.00 | | 191,000,000.00 |
| FT231740HD09 | 23-Jun-23 | | | 24,921,433.00 | 24,921,433.00 |
| GRAND TOTAL | | | 1,049,000,000.00 | 24,921,433.00 | 1,073,921,433.00 |

HELLEY FELAB OBANYI
FOR: PRINCIPAL SECRETARY

[Handwritten Signature]



Stamp:

Date:

21/08/23

Name:

Michael Omuva/a

Head of Accounts Department

I confirm that the amounts shown above are correct as of the date indicated.

Sign:

[Handwritten Signature]

Annex 4 – Summary of Fixed Assets Register

| Asset class | Opening Cost (KShs) 2022/23 | Donations in form of assets (KShs) 2022/23 | *Purchases/ Additions in the Year (KShs) 2022/23 | **Disposals in the Year (KShs) 2022/23 | Transfers in/(out) Kshs 2022/23 | Closing Cost (KShs) 2022/23 |
|--------------------------|-----------------------------------|---|--|--|---------------------------------------|--------------------------------------|
| | (a) | (b) | (c) | (d) | (d) | (e) = (a)+ (b)+c)- (d)+(-)d |
| Computer Equipment | 443,750 | - | - | - | - | 443,750 |
| Furniture and Fittings | 265,900 | - | - | - | - | 265,900 |
| Office & other Equipment | 180,000 | - | - | - | - | 180,000 |
| Total | 889,650 | - | - | - | - | 889,650 |

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Annex 5: Project Bank Reconciliations statement as at 30th June 2023

NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY
 AFRICA ENV HEALTH POLLUTION MNGNT PRGM
 BANK RECONCILIATION-KCB-GATEWAY
 ACC. NO 1285063546
 AS AT 30TH JUNE 2023
 Summary

| | |
|---|-------------------------------|
| | Balance As Per Bank Statement |
| Less: | |
| Payments in Cashbook not in Bank statement | - |
| Receipts in Bank Statement not in cashbook | - |
| Add: | |
| Payments in Bank statement not in Cash book | - |
| Receipts in Cashbook not in Bank statement | - |
| Balance as per Cashbook balance | 62,761,020.35 |
| Control | 62,761,020.35 |

Prepared By Moses M. Gatembu
 Date: 05/07/2023
 Signature:

Checked By Benjamin Musyoka
 Date: 5/7/23
 Signature:

Annex 6: Special Deposit Account reconciliation statement as at 30th June 2023
Africa Environmental Health and Pollution Management Project (AEHPMP)
Annual Report and Financial Statements for the financial year ended June 30, 2023

**AFRICAN ENVIRONMENTAL HEALTH & POLLUTION MANAGEMENT PROG.
 STATEMENT OF SPECIAL (DESIGNATED) ACCOUNT RECONCILIATION
 FOR THE YEAR ENDED 30 JUNE 2023**

Credit No.: IDA GRANT TR. B3322-KE

Bank Account No.: 1000472316 Held with CENTRAL BANK OF KENYA

| | AMOUNT | AMOUNT | NOTES |
|-------|--------------|--------------|--|
| | EURO | EURO | |
| 1 | 1,327,819.00 | | Amount advanced by IDA |
| Less: | | | |
| 2 | 327,819.00 | | Total amount documented |
| 3 | | 1,000,000.00 | Outstanding amount to be documented |
| 4 | | | Ending Special account Balance as at 30 June 2023 |
| 5 | | 148,850.70 | Amounts claimed but not credited as at 30 June 2023 |
| 6 | | 851,149.30 | Amounts withdrawn and not claimed |
| 7 | | - | Service Charges (if not included in lines 5 and 6 above) |
| 8 | | - | Interest earned (if included in Special Account) |
| 9 | | 1,000,000.00 | Total advance to Special Account Year ended 30 June 2023 |

Discrepancy between total appearing on line 3 and 9

- Notes:**
- 1 Explain the discrepancy between totals appearing on lines 3 and 9 above (e.g amount due to be refunded to cover ineligible expenditures paid from the Special/Designated Account)
 - 2 Indicate if amount appearing on line 6 is eligible for financing by IDA and provide reasons for not claiming the expenditures

[Signature]

**AUTHORISED REPRESENTATIVE
 RESOURCE MOBILISATION DEPARTMENT
 THE NATIONAL TREASURY**

DATE: 28-08-2023