



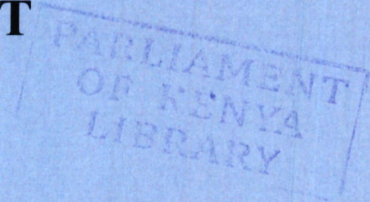
REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 19 MAR 2019	DAY: TUESDAY
TABLED BY:	MAJORITY WHIP
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REPORT



OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
NATIONAL ENVIRONMENT COMPLAINTS
COMMITTEE

FOR THE YEAR ENDED
30 JUNE 2018





NATIONAL ENVIRONMENTAL COMPLAINTS COMMITTEE

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE 2018**

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

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The National Environmental Complaints Committee (NECC), herein referred to as the Committee, is established under Sections 31 to 36 of the Environmental Management and Co-ordination Act (Cap 387 of the Laws of Kenya) (Previously cited as Act No. 8 of 1999). It was formerly known as the Public Complaints Committee but was renamed when the law was amended in 2015 (EMCA (Amendment) 2015). The first Committee was formally constituted and launched by the then Minister in August 2001. The Committee started full operations in January 2003. Its mandate is to investigate allegations or complaints regarding the condition of the environment in Kenya, or on its own motion, suspected cases of environmental degradation. NECC is domiciled in Kenya and its offices are in Bellevue area in Nairobi. It is an important institution in the assessment of the condition of the environment in Kenya. It plays an important role in the facilitation of alternative dispute resolution mechanisms relating to environmental matters. NECC makes recommendations to the Cabinet Secretary and thus contributes significantly to the formulation and development of environmental policy.

(b) Principal Activities

The Principal activity of NECC is to investigate the degradation of the environment. Its mission and vision are as follows;

Vision: To be the leading environmental ombudsman in Africa

Mission: To facilitate access to environmental justice to the public by providing a forum for expeditious and affordable environmental conflict resolution and to contribute to environmental policy development.

The Principal activity of the National Environmental Complaints Committee is to conduct in-depth investigation of any allegations against any person in relation to the condition of the environment in Kenya or on its own motion; any suspected case of environmental degradation. Further, parliament through Section 32 of EMCA mandates NECC to: prepare and submit to the Cabinet Secretary periodic reports of its activities which report shall form part of the annual report on the state of the environment; undertake Public Interest Litigation (PIL) on behalf of the citizens in environmental matters and to perform such other functions and exercise such powers as may be assigned to it by the Cabinet Secretary.

background of the entity for example departments, faculties in a University etc.)

(c) Key Management

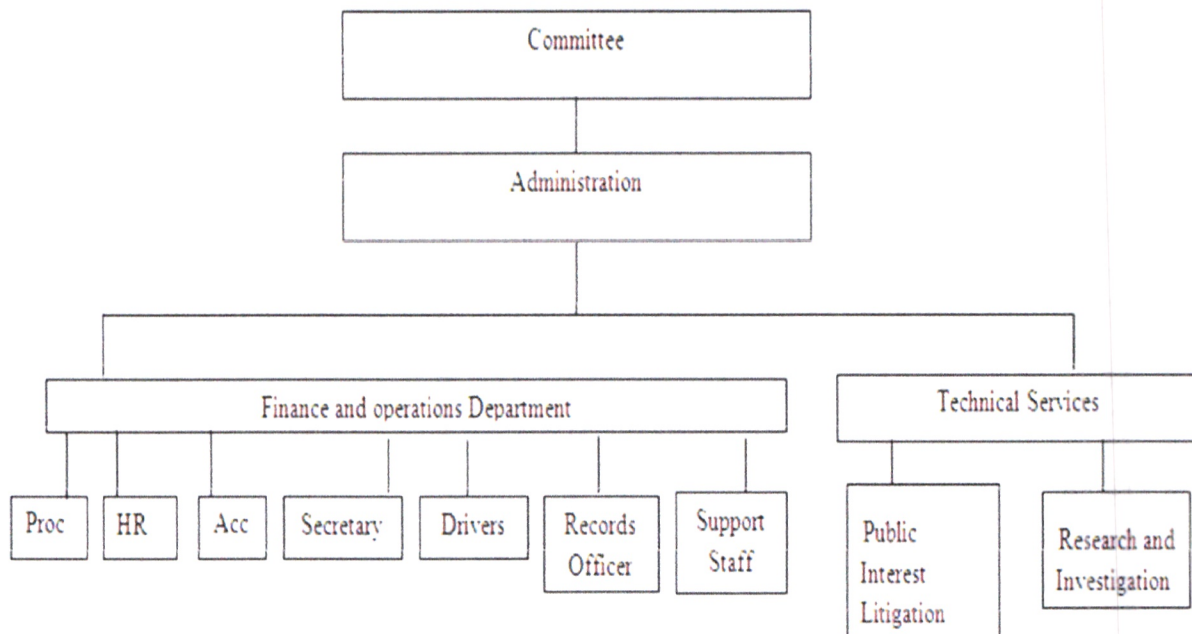
The NECC's day-to-day management is under the following key organs:

(i) Committee Members;

- Dr. John K. Chumo
- Ms. Felicity Biriri
- Ms. Isabella Masinde
- Mr. John Tuta
- Ms. Caroline Khasoa
- Ms. Sylvia Kone

(ii) The secretary to the Committee, Dr. John Chumo, representing the Chairman and who is the Accounting Officer

(iii) The management which is headed by the Head of Administration, Mr. Fredrick Olendo and is composed of the head of Accounts, Mr. Duncan Kombo, Head of Technical Services, Mr. Simon Gatuhi and other section heads as shown in the organogram below;



(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Committee Secretary	Dr. John Chumo
2.	Head of Administration	Mr. Fredrick Olendo
3.	Head of Finance	Mr. Duncan Kombo
4.	Head of Research	Mr. Simon Gatuhi
5.	Head of Procurement	Mr. Dominic Torkosh
6.	Human Resource Management	Mr. Mark Ntutu

(e) Fiduciary Oversight Arrangements

The NECC has put in place four sub-committees for oversighting purposes. These Committees include;

- Audit and finance Committee composed of Ms. Sylvia Kone and Ms. Felicity Biriri
- Governance and Ethics Committee composed of Dr. John Chumo and Ms. Caroline Wanyonyi
- Budget Committee composed of Ms. Sylvia Kone and Dr. John Chumo
- Monitoring and evaluation committee composed of Ms. Isabella Masinde and Ms. Carolyne Khasoa

(f) Entity Headquarters

National environmental Complaints Committee Headquarters
P. O. Box 36256 - 00200
Bellevue Area, Popo Road off Mombasa Road
DRSRS Building
Nairobi, KENYA

(g) Entity Contacts

Telephone (254) 0202405782
Email: necc.environment@gamil.com
Website: www.pccenvironment.or.ke
Hotline: 0722510510

(h) Entity Bankers

Kenya Commercial Bank
KCB Capital Hill Branch
P. O. Box 69695 – 00400
Nairobi, KENYA

(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

COMMITTEE MEMBERS

 <p>Ms. Felicity Biriri Member</p>	<p>DATE OF BIRTH: 11TH OCTOBER 1968</p> <p><u>Education Background</u></p> <ul style="list-style-type: none"> • BA HRM (Kenya University) • Master in Peace Management and Conflict Resolution (Kenya University) <p>Date of appointment: 17th May, 2017</p> <p><u>Work Experience</u></p> <p>17 year experience</p>
 <p>Mr. John K. Tuta Member</p>	<p>DATE OF BIRTH: 22ND MAY 1971</p> <p><u>Education Background</u></p> <ul style="list-style-type: none"> • LLB (University of Nairobi) • Master of Arts in International Studies (University of Nairobi) • Master of Law (LLM) (University of Cambridge) • Dip Law (KSL) • Deceased on 20th January, 2018 <p><u>Work Experience</u></p> <ul style="list-style-type: none"> • Advocate of the High Court of Kenya (1996) • Commissioner of Oaths (2000) • Notary Public (2005) <p>Director of Legal Affairs, Deputy Solicitor General at the office of the Attorney General and Department of Justice. Responsible for good governance</p>
 <p>Ms. Isabella Masinde Member</p>	<p><u>Education Background</u></p> <ul style="list-style-type: none"> • BSC- Biology 1986 :UEA-Baraton • MSC-Ecology 1989 :Aberdeen University (Scotland) • 1994-Environmental Assessment and Management (CEMP) Aberdeen <p>Date of Appointment: 1st July, 2016</p> <p><u>Work Experience</u></p> <ul style="list-style-type: none"> • Senior Researcher at KWS in charge of Ecological Monitoring • Task Manager at UNEP for the Global Biodiversity Assessment • Biodiversity Policy Officer at WWF in Treaties and Agreements Division • Team Leader at ITDG (Practical Action) in the Rural Livelihoods Programme (Reducing Vulnerability) • CEO at Clout • Climate Change Advisor at AWF • Technical Advisor at the Ministry of Environment and Natural Resources <p><u>Boards</u></p> <ul style="list-style-type: none"> • Member of NEPAD Climate Change Fund in South Africa • Member of NEMA Board up to 2010 <p>Now member of NECC</p>



Ms. Caroline Wanyonyi
Member

Education Background

- LLB (Nagpur University)
- Dip Law (KSL)
- Certified Professional Mediator (MTI)

Work Experience

- Advocate of the High Court of Kenya (2002)
- Commissioner of Oaths (2008)
- Litigation experience of 14 years
- National Land Commission County Coordinator, Kakamega (2014)
- Now Member of NECC

Professional Membership

- Law Society of Kenya (LSK) (2002)
- Fida Kenya (FIDA) (2005)
- Mediation Training Institute (CPM) 2018

Boards

- Law Society of Kenya (LSK) 2010-2015
- Federation of Women Lawyers (FIDA) 2008-2011
- Chesamisi High School Vice Chair, Board of Management

Date of appointment: 14th June, 2017

DATE OF BIRTH: 29TH JUNE 1977

Education Background

- MBA Leadership and Sustainability (Cumbria University, U.K)
- BBA (KEMU)
- Diploma in Community Based Project Planning and Management

Work Experience

- Administration Manager, Ewaso Nyiro South Development Authority (ENSDA)
- Administration Manager, IBL (12 years)
- Administrator, Ilkerin Loita Integrated Development Project

Boards

- Member, Narok County Environment Stakeholders Community
- Member, Kenya Institute of Management (KIM)

Date of Appointment: 31st May, 2017



Ms. Sylvia Kone
Member



Dr. John K. Chumo
Committee Secretary

DATE OF BIRTH: 1972

Education Background

- **BSC- Mathematics and Computer Science/JKUAT**
- **Mphil/Phd IN Environmental Studies(Environmental Information Systems)**

Work Experience

- **Environmental Lecturer, University of Eldoret**
- **EIA Expert/Consultant**
- **County Executive Member, Lands, Environment and Natural Resources, Nandi County**
- **Chairman, County Ministers Council in charge of Environment and Natural Resources**
- **Head of Department, Chemical Technology, Eldoret National Polytechnic**

Date of Appointment: 1st July, 2016

MANAGEMENT TEAM

Name of the Staff	Responsibility
 <p>Mr. Fredrick Olendo <u>Bachelor of Commerce (Accounting), UoN</u> <u>MBA (on-going) UoN</u></p>	<p>Head of Administration</p>
 <p>Mr. Duncan Kombo Accountant CPA II A Levels Over 26 years' experience in government finance</p>	<p>Head of Finance</p>
 <p>Mr. Simon Gatuhi MSC. Environmental Science BSC. Natural Resource Management Environmental Inspector and EIA/EA Lead Expert</p>	<p>Head of Technical Service</p>

CHAIRMAN'S STATEMENT

This Report of the National Environmental Complaints Committee (hereinafter referred to as the Committee and or NECC) covers activities and achievements of the 6th Committee and challenges encountered.

On its core mandate of investigating complaints on environmental degradation, for the report period the Committee investigated about 100 complaints in various parts of the country and rendered solutions by way of recommendations on the environmental issues unique to each region. The Committee has assisted the members of the public in various parts of the Country to identify and implement amicable and cost effective solutions to a great number of environmental complaints.

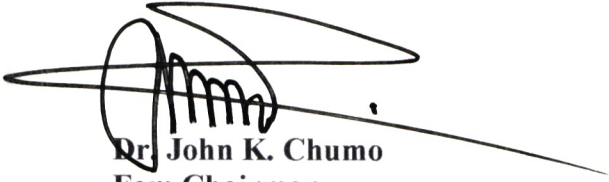
The Committee has also succeeded in sensitizing a large section of the public on the importance and benefits of best environmental practices. This has been done through public hearings and distribution of published material.

Still as part of carrying out its mandate, the Committee participated in international programmes that enhance environmental management and conservation such as the World Environment Days (WEDs), World Days to Combat Desertification (WDCDs) and the Trade Fairs, among others.

Having recognized the importance of team work in environmental conservation and management, the Committee also ensured the enhancement of linkages with the parent Ministry, the EMCA institutions, lead agencies, other stakeholders and communities.

However, the achievements above stated have not been without some challenges as will appear in this report. It is the hope of the Committee that those challenges will be addressed to make the Committee even more effective in the discharge of its mandate, taking cognisance of the inalienable rights of a clean and healthy environment for each person in the Republic of Kenya as enshrined in the Constitution.

On the whole, the future of the Committee is bright and wishes to thank the Committee Members and staff for their continued effort towards the achievement of the Committee's mandate.



Dr. John K. Chumo
For; Chairman

REPORT OF THE CHIEF EXECUTIVE OFFICER

The Committee's core function is to investigate environmental complaints against any person or the Authority. It may also on its own motion investigate suspected cases of environmental degradation. Additionally, the committee is tasked to undertake public interest litigation on behalf of the citizens in environmental matters. For the Committee to be an effective environmental ombudsman in support of a clean and healthy environment as a right for all, the Committee provides a simple avenue for access to environmental justice by all persons regardless of age, gender, race or any form of discrimination. The Committee encourages written complaints. However oral complaints can also be received and complainants may submit their complaints through third parties. The Committee does not investigate complaints that are not of environmental concern.

Generally, the number of complaints countrywide relating to environmental degradation (in descending order) is:

- Poor waste management (24%)
- Poor land-use practices. (11%)
- Deforestation (13%)
- Water pollution (20%)
- Air pollution (5%)
- Noise pollution (16%)
- EIA and Licensing (6%)
- Others 4%

The high incidence of complaints received by NECC from Nairobi and Mombasa counties can be attributed to rapid development, urbanization and industrialization and consequential high population density. It may be observed that Nairobi County, with an estimated population of about 5 million people records a distinctly higher number of complaints than any other region in the country. In Mombasa County, poor effluent disposal, poor management of solid waste and encroachment by the construction of permanent structures on the beach or very close to the beach was quite significant.

NECC conducted awareness campaigns in the counties during the reporting period by distributing brochures and carrying out impromptu public *barazas* whilst carrying out investigations. NECC also created awareness of its role and mandate through its work and operations in these counties. During site visits, NECC also involves relevant stakeholders including the Provincial Administration, NEMA, KFS, KWS and the County Government to create awareness.

In the course of its investigations, NECC has witnessed a lot of un-reported environmental degradation in the counties. This could be attributed to the rigours of following up complaints from areas outside Nairobi and lack of awareness of the process involved in filing complaints with the NECC.

In the investigatory process, NECC has encountered several common environmental degradation issues in nearly every part of the country. These include:

(i) Poor effluent management

In all urban areas there is poor effluent disposal due to the absence of infrastructure such as modern and efficient sewerage systems and integrated water provisions. In some areas near water bodies such as the coastal region, the regions around lakes and other settlements near rivers, there is urgent need of integrated water sector management systems.

The problem is exacerbated by lack of coordination between the main actors. The water and sewerage infrastructure is said to be owned by the County Government while the water services are provided by water and sewerage companies under the Water Act. Responsibility for the repair and expansion of the infrastructure is therefore unclear, thus leading to breakdown of infrastructure, non-maintenance or lack of expansion in deserving areas. This generally results in essential services not being provided and people resorting to haphazard and unplanned methods of resolving these problems including discharge of raw effluent into storm drains or the water bodies.

Examples

- Only 48% of Nairobi is connected to the central sewerage system. The other 52% depend on septic tanks and disposal into the environment.
- In Mombasa, as a matter of fact, sewerage infrastructure coverage is limited, in disrepair, dysfunctional or lacking space for expansion and the necessary treatment plants.
- The sewerage system in several estates of Eastlands in Nairobi cannot cope with the human population in the area

(ii) Poor solid waste management

In all urban centres there is poor solid waste management. Most counties operate unlicensed dumpsites which are unfenced, unmanned and the waste is scattered haphazardly. Medical, hazardous and municipal waste is dumped together. The dumpsites are readily accessible to both human beings and livestock for foraging and thus posing a grave public health hazard. Poor disposal of polythene paper has decimated marine life and endangered flora and fauna, caused blockage to storm drains and sewerage systems and are generally an eyesore. Polythene bags are generally the biggest non-degradable pollutants in these counties.

Examples

- A worrying trend observed in Elgeyo Marakwet was that of unscrupulous waste handlers disposing of solid waste in Kaptagat forest
- There is uncontrolled and excessive littering on the major highways in Kenya
- Coloured glass bottles from the liquor industry remain uncollected for recycling in many dumpsites across the country

(iii) Destruction of forests and illegal logging

There is massive and wanton destruction of forests in Kenya including in the 5 water towers. The destruction is as a result of illegal logging, charcoal burning, unplanned human settlements and farming, construction of dams, roads and other projects and poaching of forest products such as sandalwood. The Mau water tower, arguably the most important forest complex in the country, has been in the news for the last 4 years for being the most affected forest and because of the resultant effect on rivers and other water bodies.

One cross-cutting complaint in the forest sector is that area residents cannot differentiate between licensed harvesting of mature plantations and illegal logging. There is a need to sensitize the public on the procedure followed by KFS in managing the gazetted forests, especially in regards to plantation management.

(iv) Unregulated mining, quarrying and sand harvesting

These are widespread in the counties and most are not licensed. They are a major source of noise and air pollution, land degradation and destruction of riverine ecosystems. Gaping quarry sites pose grave danger to both humans and livestock. It is also to be noted that rarely if ever do operators in the mining, quarrying

and sand harvesting activities rehabilitate the sites after exhaustion. The said operators are neither organized nor regulated, thereby attracting criminal elements which pose security risks.

There is consensus amongst the stakeholders that the county government should spearhead the regulation of these activities instead of concentration on cess collection. The regulatory framework should incorporate a fund for the restoration of the degraded sites.

(v.) Unplanned land use and land use changes

Despite the expansion in urban settlements, there are no coordinated urban development mechanisms such as Master Plans for major towns resulting in;

- a) Unmerited land user change without regard to the land use, the concerns of the neighbourhood and the need for greenery and essential supporting infrastructure / public utilities
- b) Crowded boroughs¹ (neighbourhoods)
- c) Conflicts between land owners because of the mixture of commercial, residential, industrial, high rise buildings and single storied buildings in the same neighbourhoods
- d) Mushrooming of small hotels, hostels, kiosks, clinics, and recreational facilities in supposedly exclusive residential areas thus exposing residents to insecurity
- e) Excessive land fragmentation leading to low productivity or usage of such land due to its small size. We have even noted people carrying out quarrying and sand harvesting activities in their small plots
- f) Encroachment on road reserves, land reserved for public utilities such as; water, sewer systems, schools, hospitals, play grounds, railway lines, oil pipelines, as well as high security areas including airports and military installations, leading to conflicts between Government institutions and private individuals and occasionally, in-fighting between Government institutions. This encroachment has led to difficulties in expansion and protection of these utilities occasionally with disastrous consequences
- g) Overstretching of water and sewerage services and other public utilities in places such as Karen and Kajiado have high concentration of water boreholes² which deplete the water table thus affecting bio-diversity
- h) Proliferation of illegal and informal settlements
- i) Destruction of tree cover because of maximum use of the land for development purposes as a result green zones in all urban areas are disappearing very fast. For example, Kileleshwa, Milimani, Hurlingham, Westlands, Eastlands and now part of Lavington have lost all their tree cover
- j) The user of some of the most arable land especially in Kiambu and Thika have been changed into residential and commercial use to accommodate the rapidly expanding population which may contribute to food insecurity.

¹ For example, Eastleigh, Ongata Rongai and Umoja estates in Nairobi and several estates in Mombasa have no space for construction of public utilities, road expansion and creation of green zones due to illegal allocation.

² The high concentration of boreholes is a consequence of laxity in enforcement of regulations governing the drilling of boreholes as well as the failure on the part of the Ministry of Water and local authorities to provide essential water services in urban areas.

CORPORATE GOVERNANCE STATEMENT

The National Environmental Complaints Committee on Environment (NECC) was established under Sections 31 to 36 of the Environmental Management and Co-ordination Act (No 8 of 1999) with the mandate of investigating allegations or complaints regarding the condition of the environment in Kenya, or on its own motion, suspected cases of environmental degradation. NECC prepares reports of its findings and recommendations thereon and submits the same to the Cabinet Secretary responsible for Environmental matters.

NECC is composed of seven members appointed by the Cabinet Secretary for Environment Natural Forestry. The members include a Chairperson who is qualified to be appointed as a judge of the Environment and Land Court of Kenya and composes members nominated by the office of the Attorney-General, the Council of Governors, the Law Society of Kenya and the business community. There are two other members who are appointed by the Cabinet Secretary for their role in environmental management.

The Constitution of Kenya, 2010 outlines that every person has the right to a clean and healthy environment, a provision that creates the right to have the environment protected for intergenerational benefits. The State has the core responsibility of ensuring sustainable utilization, management and conservation of the environment and natural resources.

NECC strives to maintain the following core values;

- Professional integrity
- Team work
- Transparency and accountability
- Equity
- Commitment to excellence and timely responsiveness;
- Continuous learning
- Effective and efficient service delivery
- Application of best environmental practices
- Continuous staff development

These values are grounded on professional integrity, personal orientation, team work, equity, transparency, accountability, commitment to excellence, learning, applying best environmental practices, public service, and sustainable environmental management activities.

NECC operates under the Ministry of Environment and Natural Resources (MENR). The Ministry has elaborated its vision and mission clearly in the context of its mandate which is to protect, conserve and manage the environmental and natural resources through exploitation for socio-economic development aimed at eradication of poverty, improved living standards and ensuring that a clean environment is sustained now and in the future in line with the country's aspirations as found in Vision 2030.

NECC has a significant role to play in all the pillars in Vision 2030 in view of the nature of its role and involvement in national development. The economic pillar aims to achieve an economic growth rate of 10 per cent per annum by 2012, the social pillar seeks to build a just, cohesive and equitable social development in a clean and secure environment whereas the political pillar aims to realize issue-based, people centered, result-oriented and a transparent and accountable democratic system that respects the rule of law, and protects the rights and freedoms of every individual in Kenyan society. The role of NECC in matters of environment permeates into all the pillars because of the significant nature of the environment and its importance and special place in national development. NECC provides the necessary back up services to all the stakeholders involved in the pursuance of the Medium Term Plan (MTP) aspirations.

In the execution of its mandate, NECC is committed to collaboration with various lead agencies, the private sector and civil society to enhance efficiency of the NECC and to achieve strategic objectives set out in its Strategic Plan. Since its inception in 2003, the Committee has received over 1,000 environmental complaints from all parts of the country. In its investigations, the committee has managed, in some cases to reverse the ill-effects of environmental degradation. For example, in the area of air pollution, the Committee has managed to investigate and intervene where factories have been accused of causing air pollution due to their emissions. As a result, such factories have put in place emission control measures which have significantly improved the level of air quality in those areas.

The Committee has worked in partnership with other environmental organizations, government departments, and stakeholders, especially the National Environment Management Authority (NEMA) in the preparation of the State of Environment reports, as well as participating in national and international environmental events and conferences. As an environmental ombudsman, the Committee intends to intensify its operations nationwide and to enhance the public's sense of environmental justice.

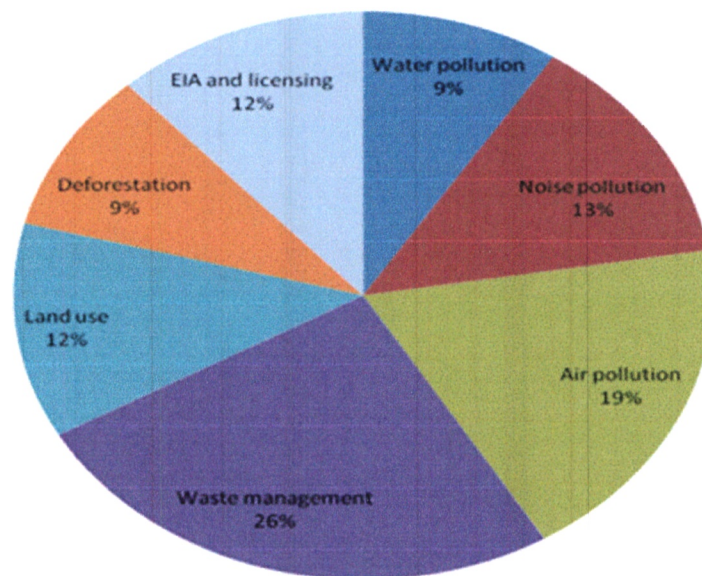
MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

The entity's operational and financial performance

During the report period, NECC has investigated several complaints on environmental degradation. As at June 2018, NECC has a total of 556 set of recommendations dispatched to the various stakeholders including the ministry of environment and forestry, NEMA, WRA, KFS, KWS, County governments, water service boards, Regional development authorities etc. A total of 462 cases were handled administratively and there is a file of correspondence for the same. There are 131 pending complaints that are yet to be investigated. The output may be represented in form of a graph as follows;

Categories of complaints received and investigated by PCC



The Committee made these investigations in several counties across the country, covering every region. The high incidence of complaints received by NECC from residents in Nairobi and Mombasa can be attributed to rapid development, urbanization and industrialization and consequential high population density. It may be observed that Nairobi, with an estimated population of about 5 million people records a distinctly higher number of complaints than any other region in the country.

The NECC conducted awareness campaigns throughout the country by distributing brochures and carrying out impromptu public *barazas* whilst carrying out investigations. NECC also created awareness of its role and mandate through its work and operations in the country. During site visits, NECC also involves relevant stakeholders including the County Administration, NEMA, and Kenya Forest Service to create awareness.

In the course of its investigations, the NECC has witnessed a lot of un-reported environmental degradation in the provinces. This could be attributed to the rigours of following up complaints from areas outside Nairobi and lack of awareness of the process involved in filing complaints with the NECC.

The NECC has identified five key strategic goals which it needs to address in order to become a leading ombudsman, while at the same time contributing to the achievement of national goals as outlined in policy documents such as Vision 2030, the MDGs and the Medium Term Plan. These five strategic goals with their corresponding objectives and strategies are outlined below:-

Strategic goal 1: To enhance NECC's capacity both human and institutional.

Strategic goal 2: To formulate and promulgate appropriate procedural mechanisms for conducting investigations.

Strategic goal 3: To develop a data base to facilitate dissemination of environmental information for sustainable socio- economic development.

Strategic goal 4: To create public awareness on the environment, the role of NECC and stakeholders.

Strategic goal 5: To bring NECC's practices and operations to the recognized international standards.

The impacts of pollution cost the Kenyan taxpayer a lot of money in treatment. This is money which can be used in other sectors of development. As NECC works hard to ensure that such pollutants are identified, and through consultations with other lead agencies, these polluters are forced to comply with the law.

A company known as Goldox slaughters over 800 donkeys per day and there is a lot of offal, bones and such other material that is considered as a waste product. The company lacks the capacity to handle this waste which was left in the open, attracting carrion birds and wild animals. The photo below shows offal that has been discarded in the open. Apart from the resultant foul smell from the rotting meat and environmental pollution, the donkeys roam the area and cause zoonotic diseases to residents and their livestock. Through the intervention of the NECC, the facility has since been shut over this non-compliance.

The demand for construction materials has a negative impact on the environment. NECC made investigative site visits in Lower eastern region. Several environmental complaints were investigated in Machakos, Kitui and Makueni. The investigations team held several consultative meetings and *barazas* in the region to get a better understanding of the issues causing the environmental complaints. The following is a brief of some of the complaints investigated;

An area in Makueni has been converted as a disposal area for Asbestos. Asbestos has been linked to several types of cancer and other human ailments. It is particularly harmful when it is being removed from the roofs when it breaks and spread by wind into the air. The asbestos is collected from all over the country and deposited at this site in Makueni. The issue around the site is that the area residents were not consulted before the disposal facility was established. NECC also found that there was a risk of ground water pollution from the Asbestos buried in unlined pits.

There is an area in Kibwezi where an oil pipeline by Kenya Pipeline Company had failed and oil product had been released into the environment. The leak occurred a few metres from River Thange and traces of oil products were detected upto 40km downstream. A lot of people were affected and Kenya Pipeline Company is taking remedial action at the site.

Sand harvesting is a major menace in lower eastern region. This activity degrades the rivers in the region and exacerbates water scarcity in the area. Women and children suffer a lot as they spend most of their time looking for water. The activity been taken over by criminal cartels which even extend the harvesting into people's farms. The resultant environmental degradation denudes the land and contributes to biting poverty.

One of the overarching complaints in lower eastern region is charcoal burning. This activity has contributed to the loss of vegetation and forest cover in the largely ASAL region. It is a source of livelihood and conflicts have arisen over this activity, spreading across the region and affecting other far-flung counties like Nairobi and Kiambu. Mwingi Game Reserve is severely degraded as seen in the photo above. Vehicles carrying charcoal have been torched and property destroyed in retaliatory attacks. This has resulted in bans by several county governments and charcoal is currently in short supply and high demand. This is a potentially explosive scenario which requires close monitoring. NECC is committed to undertake its duty in conjunction with the lead agencies in the environment and security sector to ensure that the matter does not get out of hand.

Sand harvesting on private farm in Amagoro area in Busia County is an activity which degrades the farmland, making it unsuitable for agricultural activities. The scooping of the sand is done haphazardly and as seen in the photo above, the area is prone to cave in. Several fatalities have been reported. Residents of Busia have degraded the rivers in the rea through sand harvesting. The riparian areas are destroyed and this leads to erosion on farms adjacent to the rivers.

The sand harvesting activities in Budalangi have been extended to the dykes constructed to prevent flooding of River Yala. This poses a grave risk to the residents of Budalangi, where flooding has often resulted in loss of lives and property. Sand harvesting along the dykes should never be attempted and NECC recommends immediate enforcement.

During the report period, NECC held induction training for new members. This was to introduce them to the work of the NECC and strategize on the best methods to enhance service delivery to citizens.

NECC held a *baraza* in Gilgil, Nakuru County. It followed a clean-up exercise conducted by NECC to sensitize area residents on environmental conservation. Several such *barazas* were held during the report period and form a good avenue for NECC to sensitize members of the public on environmental matters.

The NECC attended the the UN Environment Assembly (UNEA-3). It sensitized the attendants by having an exhibition booth at the venue and the Committee Secretary made a presentation at a Side Event on Kenya's Experience in implementing Plastic Carrier Bags Ban.

NECC played a major role in highlighting the plastic menace in Kenya and called for of the ban. It was gratifying when this was realized and NECC continues to support such measures that safeguard the environment. Indeed has been reported in the press, NECC has been supporting the ban.



The NEC Committee Secretary at a Side Event on Kenya's Experience in implementing Plastic Carrier Bags Ban

For a long time, NECC has been raising concerns on environmental degradation caused by poor disposal of solid waste. Of particular importance is the large content of plastics and polythene that forms about 60% of all solid waste. The Committee welcomes the ban on use and manufacture of plastic bags and continues to advocate for continuous engagement on all other forms of plastics to provide a clean and healthy environment.

The NECC team visited Naboisho conservancy in an effort to create awareness on the ban of plastic bags. The held a clean-up exercise at Ole Sere centre before addressing members of the public at Naboisho Conservancy, Masai Mara

During the report period, NECC also conducted a capacity building training for staff. This was to streamline the operations of the NECC and ensure that the team continue to bond and work smartly. This is the general output of more effective service delivery and efficient utilization of resources.

NECC participated in the annual World Wetlands Day at Lake Ol Bolossat which is celebrated annually on 2nd February. The Committee was led by the Secretary, Dr. John K. Chumo and held an exhibition stand where the staff interacted with the dignitaries present and members of the public. The team managed to sensitize thousands of visitors at the exhibition stand and expound on the role and mandate of NECC in environmental management in Kenya. Several brochures on NECC were distributed to the participants and there was interactive feedback at the event. The team managed to record 18 environmental complaints from members of the public and several more are expected from people who took NECC contacts and promised to forward their complaints. The visibility of the Committee at the event was greatly enhanced by the printed t-shirts that bore the NECC's logo that were issued to the participants, in recognition of the Committee's support of the event. The team had an exhibition stand and managed to receive a total of 17 complaints. Lake Ol Bollosat was identified as the venue of the event as it is a unique ecosystem and a shared natural resource. It is the only salty lake on one end and fresh water lake on the other and home of the largest hippos in Kenya, with a population of over 800 hippos. With its source in the slopes of the Aberdares, it is the source of River Ewaso Ng'iro that

transverses 4 counties, i.e. Nyandarua, Laikipia, Samburu and Marsabit. It has a rich biodiversity comprising 49 bird species and various types of fish, including the largest mud fish in Kenya. The lake is also classified as an important bird area and supports livelihoods downstream. The only natural lake in Central Kenya region, it is marked as the 61st Important Bird Area (IBA) in the country, meaning it is a place of international significance for the conservation of birds at the global level.

NECC has documented its contribution “the big four” pillars, the Government’s blue print on development. In its contribution to the fulfilment of the Government’s agenda on the “big four”, NECC is committed on the following;

1. Expansion of the manufacturing sector
2. Food security
3. Providing universal health coverage to guarantee quality and affordable healthcare to all Kenyans
4. Provision of affordable and decent housing for all Kenyans

Through its work, NECC has identified that environment and housing issues include a broad range of topics, such as interior and exterior housing quality (building materials, crowding, location of housing, and presence of toxins), air quality, water quality, contaminated and/or potentially contaminated sites—to name just a few. While water and air are the primary conveyances for pollutants, exposure can also occur through contaminated soil and direct exposure to toxins and chemicals in home or workplace environments. In its investigations and periodic reports to the CS, Environment, NECC serves to ensure that these issues are monitored not only at a county level but also at National and regional levels. There are a variety of resources, as a result, for both financial and educational assistance to deal with these issues.

As an enabler, NECC envisions prompt feedback on the status of environmental conservation and access to adequate supply of clean water as being fundamental for the achievement of “The Big Four” Plan. Indeed, a clean environment and adequate safe drinking water and sanitation do complement efforts towards improved primary health care and productivity of labour. In addition, adequate supply of water is essential for increased agricultural production, manufacturing activities and serving the rapidly urbanizing population. NECC will continue to engage the lead agencies to ensure that its recommendations on the continuous expansion of sewerage infrastructure, conservation of water towers, protection of wetlands and explore mechanisms for funding climate change adaptations.

During the report period, NECC has also made a presentation to the task force on forest management in Kenya. In its report, it has been noted that forest degradation happens when changes within the forest negatively affect the structure or function of the stand or site, and thereby lower the capacity to supply products and/or ecosystem services. Forest degradation creates less resilient and less productive forests and in some countries, it can be nearly as harmful as deforestation, carving “death by a thousand cuts” that eventually leads to deforestation. Forest degradation often begins the slippery slope to deforestation: large canopy gaps can dry out rainforests leaving them vulnerable to fire; abandoned logging roads provide access to settlers; and authorities are often more willing to grant conversion permits in heavily logged forests.

In the recent past, NECC noted that poor forest management, destructive logging practices and unsustainable fuelwood collection degrade forests and often instigate death by a thousand cuts increasing spiral of degradation that eventually leads to deforestation. Illegal logging not only leaves an obvious mark of destruction on forests – gaping holes where ancient trees once stood – it strips the

economic livelihood of local communities and responsible companies. Various reports have also indicated that Kakmega Forest- the only tropical rainforest in Kenya- is facing extinction due to deforestation by the neighboring community and illegal loggers. Another example of deforestation is Marsabit Forest that is estimated to currently occupy 11,000 hectare (ha) down from over 18,000ha in 1973. The rate of forest degradation is estimated to be 180ha per annum.

Agricultural activities (PELIS) have also caused a lot of harm to the country's forests mainly because of the increasing demand for food. This is as a result of population increase that has in turn led to depletion of private and trust lands forests. Mismanagement of the PELIS system, in what has contributed largely to the diminishing forest cover.

In Kenya, the demand for charcoal is one of the key drivers of deforestation and forest degradation. The fuelwood accounts for 70% of all energy consumed nation-wide and up to 90% of that consumed in rural areas. Unsustainable charcoal burning has become very rampant and has degraded major forests in Kitui, Machakos, Makeni like the Endau Hill, Mwingi Game Reserve, South Mbooni Forest (Kivale) and the Dakatcha woodland in Malindi.

During the report period, NECC also made a presentation on the on-going review of the Environmental Impact Assessment and Audit Regulations by NEMA. The report contained policy recommendations on matters of EIA and licensing made by NECC pursuant to Section 32 of EMCA Cap 387 after the completion of its investigations around the country. The Committee has been able to make field investigative visits in response to complaints from several counties and held extensive discussions with various stakeholders in the environment. It is from these interactions and background studies that have enriched the findings made by the NECC in respect to specific complaints. An analysis of these findings has led to the formulation of the policy recommendations.

Complaints received by NECC bordering on matters of EIA and licensing constitute a total of 5% of the total complaints received. And in most cases, the issues of public participation in EIA process have been queried. From the investigations, NECC was able to identify the the shortcomings in the EIA process and offer recommendations on the same.

NECC continues to push its agenda on enhancing its publicity and awareness. The photo above shows the NECC team at the Eldoret ASK show, where several people visited the stand and were apprised of the work of the Committee. Additionally, the event provided an avenue for the filing of environmental complaints that NECC is currently investigating.

NECC held a meeting on the Review of the NECC Strategic Plan held at NECC's offices. The meeting's agenda was developing a roadmap on reviewing NECC's 2013-2017 Strategic Plan. It was agreed that in the previous Work Plans some areas and activities had been overlooked and it was important for the institution to make a review so as to know why some activities were not included and achieved. NECC's team was tasked with identifying past performance/achievements of the institution, challenges, emerging issues e.g. Public Interest Litigation, lessons learnt and best practices from other ombudsman institutions in Kenya and around the world. Additionally, the team agreed to go through the previous Strategic Plan and identify strengths and weaknesses in the structure so as to know what needed to be included in the current Strategic Plan.

NECC alongside NETFUND and Kenya Water Towers Agency spearheaded the tree planting exercise in Matierio Primary, Nyamira County. This was in line with the directive by the Cabinet Secretary for the Ministry of Environment and Forestry to roll-out a countrywide tree planting exercise. KFS was in

charge of organizing the event. The Guest speaker was Nyamira County Commissioner. Who said that blue gum is important but needs to be planted away from water sources He encouraged the residents to plant alternative trees such as *Prunus Africana* which is planted for its medicinal value. He urged the people to plant trees on their farms. He stated that there were water towers within the area that needed protection such as Ngora and Sironga Hills. He informed the people of the ban on logging and charcoal burning. He added that fruit trees should also be planted such as avocados and bananas. 3,000 tree seedlings were planted. He said that the government's target is to plant 10 million trees by 2022 and surpass the 10% tree cover.

NECC alongside Kenya Water Towers Agency spearheaded the tree planting exercise in Lambwe Forest, Homa Bay County. This was in line with the directive by the Cabinet Secretary for the Ministry of Environment and Forestry to roll-out a countrywide tree planting exercise. The projected number of trees planted were 2,000 seedlings.. The Guest speaker was the Kenya Water Towers Agency Representative. The NECC Secretary, Dr. John Chumo, acknowledged the CEC of environment in HomaBay County for the efforts of maintaining a clean and healthy environment. He said that the tree planting exercise was being held countrywide. He added that tree planting should be made a culture, not just an event especially in HomaBay which had a 2.56% forest cover. He was concerned that PELIS programme had been mismanaged as a forest management tool. He highlighted the need to conserve forests as it contributes to food security and prevented water related diseases; the country spends 27 Billion shillings a year to treat water borne diseases. He added that there was a need to involve the community on forest management. He stated that the plastic ban was a good move towards a healthy environment.

The Committee held a consultative meeting with different organizations that undertake Public Interest Litigation (PIL). The main agenda of the meeting was to familiarize the team with the appropriate legal and technical procedures which underlie PIL. The Office of the Attorney General said that they would follow up the amendments NECC wanted done in regards to its name for the smooth running of the organization. NECC stands to gain more from past experiences, lessons learnt and best practices of other institutions. However there are challenges likely to face NECC which include the following;

1. Budgetary constraints that might not support the PIL structure
2. Litigation can be very expensive because of the complex legal and policy issues that are involved and often the lengthy period such cases take to conclude
3. Authorities often fail to comply with and enforce court orders from PIL actions reason being that court orders may touch directly on political and policy issues
4. Implementation of court orders may be complex and would require a long time and would rarely, if ever, be suitable for making systematic changes necessary to remedy situations of widespread poverty
5. Hiring environmental experts which is an integral part of the litigation strategy in PIL cases
6. Strategic Lawsuit against Public Participation (SLAPPs) are lawsuits or counterclaims against an individual or organization with an intention to censor, intimidate and silence critics by burdening them with the cost of a legal defense until they abandon their criticism or opposition.

NECC participated in the National Tree Planting celebrations held at Moi Forces Academy in Eastleigh. The function was presided over by His Excellency the President Uhuru Kenyatta. The event included a clean-up exercise and tree planting. NECC had a stand at the exhibition and the Committee Secretary, Dr. Chumo made a concise presentation to the President, who was impressed by it, terming it as excellent.



NECC Committee Members and senior staff at the corporate governance training at Naivasha

On the 10-14th June NECC held corporate governance training for the committee members at Naivasha. The facilitator was drawn from the Kenya School of Government. Training was on Corporate Governance, Mwongozo Code of Conduct, accountability and internal control.

On 17th May, the Research office was represented in a meeting with Ms. Jennifer Gleason from ELAW on PIL at Kituo Cha Sheria. Ms. Gleason said that instead of developing a manual for PIL it would be best to consider strategic litigation. She stated that strategic litigation also called impact litigation is a method that can bring about significant changes in the law, practice or public awareness via taking carefully-selected cases to court. The clients involved in strategic litigation have been victims of environmental abuses that are suffered by many other people. In this way, strategic litigation focuses on an individual case in order to bring about social change. She said that before you initiate strategic litigation, there are many things you should consider.

The Committee participated in the World Environment Day on 5th June. This year's event was held at Kwale Baraza Park, Kwale town in Kwale County on 5th June, 2018. This year's event was guided by the theme, "Beat Plastic Pollution" and the slogan "Greening the Blue". The theme underscores the effects of plastics pollution as a global emergency affecting every aspect of our lives. The celebrations were presided over by The Deputy President, His Excellency William Ruto.

World Day to Combat Desertification was celebrated on 17th June 2018. The event was held at Oldonyonyokie Primary School in Magadi, Kajiado County. The theme for this year's event was "Land has true value-lets invest in it". The theme served to help many reflect on the challenges occurring in efforts to combat desertification. The chief guest was the Cabinet Secretary for Environment and Forestry, Hon. Keriako Tobiko. The event was attended by Permanent Secretary, Mr. Charles Sunkuli, Kajiado County Deputy Governor, Mr. Martin Moshisho, NEMA Board of Management Chairman, Mr. John Konchellah, Board of Directors, Director General, Prof. Geoffrey Wahungu and the management team, area elected leaders and a host of other dignitaries and stakeholders including the

National Environmental Complaints Committee whose team was led by the Committee's Secretary, Dr. John Chumo.

The challenges facing NECC can be summarized as;

- a) The NECC's budgetary allocation needs to be enhanced to meet its expected mandate as per the new EMCA 2015;
- b) NECC does not have its own staff establishment thus making it difficult to address key issues such as staff recruitment. It relies on interns on contract and staff under secondment from other institutions. The processing of NECC establishment has been subjected to excessive bureaucracy for seven years thus causing delays and thereby impacting negatively on the operations of NECC;

NECC lacks;

- (i). a multi-disciplinary base of technical staff;
- (ii). adequate office space and facilities;
- (iii). requisite equipment for air, noise, soil and water sampling for scientific testing and analysis;
- (iv). its own premises and is housed by the Department of Resource Surveys and Remote Sensing; and
- (v). adequate number of vehicles to enhance mobility particularly when it is to be noted that all its work is in the field.

The elevation of environmental rights into fundamental rights under Articles 42 and the right to quick and fair administrative action under Article 47 of the Constitution places a great responsibility on NECC to serve all citizens with urgency. The lack of facilitations as outlined above will inhibit NECC's ability to meet its role and responsibilities in upholding environmental rights enshrined in the Constitution. The absence of integrated environmental policy implementation by lead agencies in tandem with Constitutional requirements more particularly in relation to land use policies is a challenge for NECC.

- c) the general insecurity in some areas of the country exposes Committee Members and staff to risks during investigations. Some areas are so fragile in terms of security that NECC is unable to conduct its investigations effectively, and

To enhance the operations of NECC, there is urgent need to:

- a) Finalize the creation of a staff establishment;
- b) Ensure that funding of NECC be provided in accordance with Section 36 (2) of EMCA, 1999;
- c) Increase the budgetary allocation in line with the expanded activities of NECC;
- d) Expand sources of funding to cater for awareness creation activities and linkages;
- e) Establish a data management system;
- f) Provide adequate office space and equipment;
- g) Enhance the management of the NECC website, internet services, engaging the media, conducting workshops and seminars to improve public awareness;
- h) Seek new knowledge, collaboration and educational opportunities for members and staff to strengthen their capacity;
- i) Work closely with the Ministry of Environment and Forestry and NEMA headquarters to ensure that documentation and publications are widely distributed to the general public for implementation.

CORPORATE SOCIAL RESPONSIBILITY



As part of its corporate social responsibility, NECC supported a Self Help Group in Inyanzaa to construct a sand dam across River Inyanzaa. The group had shown great incentive in stopping rampant sand harvesting along the rivers in the areas. The dam assists the residents in water conservation and prevents the degradation of the riparian areas.

With the assistance of Text Book Center, NECC donated books and other learning aids to Kaonyweni primary school. This goes to demonstrate that learning needs to incorporate environmental studies as an integral part of the curriculum to promote conservation from an early age.



REPORT OF THE COMMITTEE MEMBERS

The Committee Members submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the NECC's affairs.

Principal activities

The principal activities of the entity are (continue to be)

(a) to investigate:-

(i) any allegations or complaints against any person or against the Authority in relation to the condition of the environment in Kenya;

(ii) on its own motion, any suspected case of environmental degradation, and to make a report of its findings together with its recommendations thereon to the Cabinet Secretary;

(b) to prepare and submit to the Cabinet Secretary, periodic reports of its activities which report shall form part of the annual report on the state of the environment under section 9(3);

(bb) undertake public interest litigation on behalf of the citizens in environmental matters; and

(c) to perform such other functions and exercise such powers as may be assigned to it by the Cabinet Secretary.

Results

The results of the entity for the year ended June 30, 2018 are set out on page 10 of this document.

Directors

The members of the Committee who served during the year are shown on page vi - viii. During the year 2018, one of the Committee members, Mr. John Tuta passed away.

Dividends/Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year.

Auditors

The Auditor General is responsible for the statutory audit of the NECC in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. The Auditor General carried out the audit of the NECC for the year/period ended June 30, 2017.

By Order of the Committee


Dr. John Chumo
Committee Secretary

Nairobi

Date:.....

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Section 36 of the Environmental Management and Coordination Act Cap 387 require the entity to prepare financial statements in respect of that the entity, which give a true and fair view of the state of affairs of the entity at the end of the financial year/period and the operating results of the entity for that year/period. The Directors are also required to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Directors are also responsible for safeguarding the assets of the entity.

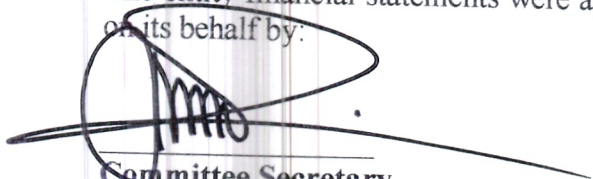
The Directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2018. This responsibility includes: (i) maintaining adequate 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 entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Environmental Management and Coordination Act Cap 387. The Directors are of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2017, and of entity's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of entity's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The entity financial statements were approved by the Board on _____ 2018 and signed on its behalf by:


Committee Secretary

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL ENVIRONMENTAL COMPLAINTS COMMITTEE FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of National Environmental Complaints Committee set out on pages 13 to 32, which comprise the statement of financial position as at 30 June 2018 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of National Environmental Complaints Committee as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Environmental Management Act, 1999 and its amendments of 2015, EMCA (Amendment) 2015.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Environmental Complaints Committee in accordance with ISSAI 30 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.

Report of the Auditor-General on the Financial Statements of National Environmental Complaints Committee for the year ended 30 June 2018

Other Matter

1. Committee Membership

The Committee has not been fully constituted with members to enable delivery of critical mandate to the people of Kenya in maintaining and preserving the environment for the present and future generation. Further, during the financial year 2017/2018 the Committee operated without a chairman. The chairman plays a key role in the committee by directing its activities. Chairman's absence was a hindrance to the committee in achieving its objectives.

2. Lack of Staff Establishment

The Public Finance Management Act, 2012 Section 73(1) provides that internal auditing is an independent objective assurance and consulting activity designed to add value and improve an organization's operations which helps an organization accomplish its objective by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The management has not put in place the prerequisite staff to assure proper operations of internal controls in cash management and segregation of other duties. This situation puts the Committee at risk of loss in case of failure of the management controls.

3. Lack of Active Information Technology Steering Committee

The organization does not have proper information technology service continuity programme, programme change movement, logical access control and general information technology governance. This contravenes Section 19(1) (d) of Public Finance Management Regulations of 2015.

4. Appointment of Head of Administration

The establishment and operations of the Committee are governed by the Environmental Management and Co-ordination Act, Cap. 387 of 1999 and amended in 2015. The Act provides who shall constitute the Committee members. Staff appointments in the committee are supposed to be governed by the Public Service Commission regulations, policies and procedures. However, the committee in its monthly meeting held on 29 September 2016 resolved to appoint the former committee secretary as an administrator in the organization effective 1 July 2016. This was done without confirming whether the position exists and without following recruitment procedures for such positions as guided by the Public Service Commission guidelines. The officer does not have an appointment letter and thus his roles and responsibilities are not known. There was no documentary evidence provided indicating the action taken to regularize the position.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the 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 ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of an Internal Audit Function

During audit, it was found that the Committee was operating without an internal audit department contrary to Section 73(1) of the Public Finance Management Act, 2012. This could result to absence of checks of internal controls and organization operations.

2. Lack of Risk Assessment Strategy

The Committee had not developed a risk management and a tested disaster recovery plan to enhance its governance and therefore it is not clear how the management would handle and manage risks.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the Committee's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Committee or to cease operations, or have no realistic alternative but to do so.

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 Committee's financial reporting process, reviewing the effectiveness of how the entity 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 of Kenya. 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 when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

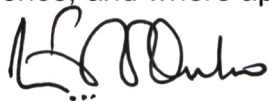
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern 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 Committee's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Committee to cease to continue as a going concern.
- 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 of the entities or business activities of the Committee to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstance.

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

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



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

Nairobi

23 January 2019

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30TH JUNE 2018

	Note	2017-2018	2016-2017
Revenue			
		Kshs.	Kshs.
Government Grant	6	94,235,000.00	68,819,761.00
		94,235,000.00	68,819,761.00
Expenses			
Employee costs	7	4,097,113.00	4,706,636.00
Committee allowances	8	8,032,000.00	2,889,800.00
Depreciation and amortization Expenses	9	782,940.00	1,024,205.00
Repair and Maintenance	10	616,765.00	573,355.00
General Expenses	11	82,148,951.00	59,881,143.00
Total expenses		95,677,769.00	69,075,140.00
Surplus/Deficit for the period before tax		(1,442,769.00)	(255,379.00)
Surplus attributed to owners of controlling entity		(1,442,769.00)	(255,379.00)

STATEMENT OF FINANCIAL POSITION

AS AT 30TH JUNE 2018

	Note	2017-2018	2016-2017
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	12	1,123,136.00	1,075,455.00
Receivables		-	393,510.00
Trade and Other Receivables	14	8,334,000.00	-
Total Current Assets		9,457,136.00	1,468,965
Non-current assets	13	2,886,556.00	3,669,496.00
Total Assets		12,343,692.00	5,138,461.00
Current liabilities			-
Trade and Other Payables	15	8,648,000.00	
Represented by;			
Accumulated surplus 2018		3,695,692.00	5,138,461.00
Total Assets		12,343,692.00	5,138,461.00

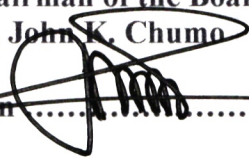
The Financial Statements set out on pages 13 to 32 were signed on behalf of the Board of Directors by:

Head of Finance
 Duncan M. Kombo

Sign 

Date.....

Chairman of the Board
 Dr. John K. Chumo

Sign 

Date.....

**STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED 30 JUNE 2018**

Attributable to the owners of the controlling entity		
	Accumulated surplus	Total
	Kshs	Kshs
Balance as at 1 July 2016	5,393,839.00	5,393,839.00
Surplus/(deficit) for the period	-255,378.00	-255,378.00
Balance as at 30 June 2017	5,138,461.00	5,138,461.00
Surplus/(deficit) for the period	-1,442,769.00	-1,442,769.00
Balance as at 30 JUNE 2018	3,695,692.00	3,695,692.00

**STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

		2017-2018	2016-2017
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Government grants and subsidies	6	94,235,000.00	68,819,761.00
Total Receipts		94,235,000.00	68,819,761.00
Payments			
Committee allowances	8	8,032,000.00	2,889,800.00
Employees Costs	7	4,097,113.00	4,706,636.00
Repairs and maintenance	10	616,765.00	573,355.00
Goods and services	11	81,858,951.00	60,454,498.00
Total Payments		(94,604,829.00)	(68,050,935.00)
Net cash flows from operating activities		(369,829.00)	768,826.00
Increase in investments			
Working capital changes		314,000.00	
Net cash flows used in investing activities			
Cash flows from financing activities			
Proceeds from borrowings			
Prior year adjustments		103,510.00	
Net cash flows used in financing activities			
Net Change in Cash and Cash Equivalents		47,681.00	768,826.00
Cash and cash equivalents as at 1st July 2017	12	1,075,455.00	306,619.00
Cash and cash equivalents as at 30 June 2018	12	1,123,136.00	1,075,455.00

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2017**

	Original budget	Adjustments/supplementary	Final budget	Actual on comparable basis	Performance difference	% change	NOTES
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018		
	Kshs	Kshs	Kshs	Kshs	Kshs		
Revenue							
Government grants and subsidies	100,000,000.00	15,000,000.00	115,000,000.00	94,235,000.00	20,765,000.00	18.06	1
Total in come	100,000,000.00	15,000,000.00	115,000,000.00	94,235,000.00	20,765,000.00		
Expenses							
Compensation of employees	9,000,000.00	15,000,000.00	24,000,000.00	6,480,613.00	17,519,387.00	73.00	2
Goods and services	91,000,000.00	-	91,000,000.00	89,197,066.00	1,802,934.00)	1.98	
Total expenditure	100,000,000.00	-	115,000,000.00	95,677,679.00	-		
Deficit for the period	-	-	-	1,442,679.00	19,322,231.00		

Notes

1. The 18.06% change was due to funds not remitted to NECC by the Ministry: to (see note 16) tune of Kshs 20,765,000
2. The 73% change was due to funds not remitted to NECC for recruitment of new staff

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Public Complaints Committee entity is established by and derives its authority and accountability from EMCA Act. The entity is wholly owned by the **Government of Kenya and is domiciled in Kenya. The entity's principal activity is investigations of violation of environment.**

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporation Act (include any other applicable legislation), and international Public Sector Accounting Standard (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

IPSAS 40: Public Sector Combinations

Applicable: 1st January 2019:

The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2018.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

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.

ii) Revenue from exchange transactions

b) Budget information

The original budget for FY 2017-2018 was approved by the National Assembly on 18th June, 2017. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of supplementary budget of Kshs. 15million on the 2017-2018 budget following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial

NOTES TO THE FINANCIAL STATEMENTS (Continued)

performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section *ten* of these financial statements.

e) Property, plant and equipment

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.

Depreciation is applied on straight line method for motor vehicle, computer and furniture and fittings at 25%, 33.3% and 12.5% respectively

k) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. The reserves maintained by NECC is accumulated on surplus or loss at each financial year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Transfers from other governments

Description	2017-2018	2016-2017
	KShs	KShs
Unconditional grants		
Operational grant	94,235,000.00	68,819,761.00
Conditional grants		
National housing grant	-	-
Total government grants and subsidies	94,235,000.00	68,819,761.00

The details of the reconciliation have been included under appendix II)

7. Employee costs

	2017-2018	2016-2017
	Kshs	KShs
Casual	156,280.00	-
Stipend	3,051,114.00	2,876,500.00
PAYE	889,719.00	1,651,936.00
Total	4,097,113.00	4,528,436.00

8. Committee Allowances

	2017-2018	2016-2017
	Kshs	KShs
Sitting Allowances	2,383,500.00	2,994,800.00
Subsistence	2,205,900.00	
Travel	3,442,600.00	
Total	8,032,000.00	2,994,800.00

9. Depreciation and amortization expense

Description	2017-2018	2016-2017
	Kshs	KShs
Property ,plant and equipment	782,940.00	1,024,205
Total depreciation and amortization	782,940.00	1,024,205

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Repairs and maintenance

Description	2017-2018	2016-2017
	KShs	KShs
Vehicles	616,765.00	573,355
Total repairs and maintenance	616,765.00	573,355

11. General expenses

Description	2017-2018	2016-2017
	Kshs	KShs
Air ticket	1,750,234.00	1,963,398.00
Boards Conferences and delegations	9,738,880.00	10,769,850.00
Hospitality	13,880,472.00	10,943,593.00
Fuel and oil	1,100,000.00	275,600.00
Audit Fees	290,000.00	-
Insurance	279,446.00	199,379.00
Internet & Supplies	845,050.00	515,550.00
Training	4,750,305.00	-
Domestic travel & others	49,514,564.00	35,213,773.00
Total general expenses	82,148,951.00	59,881,143.00

12. Cash and cash equivalents

Description	2017-2018	2016-2017
	Kshs	KShs
Cash book balance	1,123,136.00	1,075,455.00
Cash on-hand and transit	-	-
Total cash and cash equivalents	1,123,136.00	1,075,455.00

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 (b). Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2017-2018 KShs	20162017 KShs
a) Current account			
Kenya Commercial bank	1103172972	1,123,138.00	1,075,455.00
Sub- total		--	-
COMMUNITY BRANCH			
b) On - call deposits			
Sub- total			
c) Fixed deposits account			
Sub- total			
d) Staff car loan/ mortgage			
Sub- total			
e) Others(specify)			
cash in hand		-	-
Sub- total		-	-
Grand total		1,123,138.00	1,075,455.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. a) Property, plant and equipment 2016-2017

	Motor vehicles	Furniture and fittings	Computers	Total
Cost	Shs	Shs	Shs	Shs
At 1 July 2016	7,830,843	2,797,109	2,441,744	13,069,696
Additions	-	-	-	-
Disposals	-	-	-	-
Transfers/adjustments	-	-	-	-
At 30 th June 2017	7,830,843	2,797,109	2,441,744	13,069,696
Depreciation and impairment	-	-	-	-
At 1 July 2016	4,703,550	1,454,645	2,217,800	8,375,995
Charge for the year	781,823	167,808	74,574	1,024,205
At 30 June 2017	5,485,373	1,622,453	2,292,374	9,400,200
	-	-	-	-
Net book values	-	-	-	-
At 30 th June 2017	2,345,470	1,174,656	149,370	3,669,496
At 30 th June 2016	3,127,292	1,342,464	223,945	4,693,702

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. b) Property, plant and equipment 2017-2018

	Motor vehicles	Furniture and fittings	Computers	Total
Cost	Shs	Shs	Shs	Shs
At 1 July 2017	7,830,843.00	2,797,109.00	2,441,744.00	13,069,696.00
Additions	-	-	-	-
Disposals	-	-	-	-
Transfers/adjustments	-	-	-	-
At 30th June 2018	7,830,843.00	2,797,109.00	2,441,744.00	13,069,696.00
Depreciation and impairment				
At 1 July 2017	5,485,373.00	1,622,453.00	2,292,374.00	9,400,200.00
Charge for the year	586,368.00	146,832.00	49,740.00	782,940.00
As at 30th June 2018	6,071,741.00	1,769,285.00	2,342,114.00	10,183,140.00
Net book values				
At 30th June 2018	1,759,102.00	1,027,824.00	99,630.00	2,886,556.00
At 30th June 2017	2,345,470.00	1,174,656.00	149,370.00	3,669,496.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. Trade and Other Receivables

	<u>2017-2018</u>	<u>2016-2017</u>
Receivables	8,334,000.00	393,510.00
Total	8,334,000.00	393,510.00

15. Trade and Other Payables

	<u>2017-2018</u>	<u>2016-2017</u>
NEMA	24,000.00	-
Audit Fees	290,000.00	-
Payables	8,334,000.00	-
Total	8,648,000.00	-

- *There was a receivable from NEMA in the prior year in respect of one Mr. D. Nyamora of Kshs.393,510. The amount received from NEMA was Kshs.417,520, thus resulting in a payable figure of kshs.24,000.*

16. Cash generated from operations

	<u>2017-2018</u>	<u>2016-2017</u>
	<u>KShs</u>	<u>KShs</u>
Cash from NEMA	417,520.00	-
Adjusted Deficit for period	(1,442,769.00)	(255,379.00)
Depreciation	782,940.00	1,024,205.00
Provision for audit fees	290,000.00	
Working Capital adjustments		
Increase in inventory	-	-
Net cash flow from operating activities	47,681.00	768,826

Breakdown of cash adjustment

Cash from Nema	417,520.00
Provision for Audit Fees	(290,000.00)
Accounts payable to NEMA	(24,010.00)
Net Amounts	103,510.00

17. Financial Risk Management

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks

and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

(i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from xxxx

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

The objective of the entity's capital risk management is to safeguard the Board's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	2017-2018		2016-2017
	Kshs		Kshs
Revaluation reserve	-	-	-
Retained earnings	3,985,692.00	-	5,138,452.00
Capital reserve	-	-	-
	-	-	-
Total funds	3,985,692.00	-	5,138,452.00
	-	-	-
	-	-	-
Total borrowings	-	-	-
Less: cash and bank balances	1,123,136.00	-	1,075,455.00
Net debt/(excess cash and cash equivalents)	1,123,136.00	-	1,075,455.00
Gearing	2,572,556.00	-	4,062,997.00

18. Related Party Balances

a) Nature of related party relationships

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

The entity is related to

- i) The National Government;
- ii) The Parent Ministry;
- iii) Key management;
- iv) Board of directors;

b) Related Party Balances (continued)

	2018	2017
	Kshs	Kshs
Grants from the Government	<u>20,457,000.00</u>	<u>1,000,000.00</u>
NOT AVAILED DURING THE YEAR		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

c) Key management remuneration

	2017	2016	Kshs
		Kshs	Kshs
Directors'	-	-	
Key management compensation	-	-	
	=====	=====	

d) Due from related parties

Due from Parent Ministry	-	-
Due from xxx SC or SAGA	-	-
	-----	-----
	=====	=====

19. TAXATION

	2017-2018	2016-2017
	Kshs	Kshs
At beginning of the year	-	-
Income tax charge for the year (note 27)	-	-
Under/(Over) provision in prior year/s (note 27)	-	-
Income tax paid during the year	-	-
At end of the year	889,719.00	1,651,936.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. EVENTS AFTER THE REPORTING PERIOD

There were no material adjusting and non-adjusting events after the reporting period.

21. ULTIMATE AND HOLDING ENTITY

The entity is a State corporation/or a Semi-Autonomous Government Agency under the Ministry of Environment and Forestry. Its ultimate parent is the Government of Kenya

22. CURRENCY

The financial statements are presented in Kenya Shillings (Kshs).

Appendix I: 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.

Reference No. on the external audit Report	Issue/observations from Auditor	Management comments	Focal point person to resolve the issue (Name and designation)	Status: (Resolved/Not Resolved)	Timeframe: (put a date when you expect the issue to be resolved).
Management Letter No. 1	- Cash box	Procurement issue	procurement	Not yet	Three months
	- Staff deficit	On-going process	Committee	On-going	One year
	-				
	Chairman unavailable	Appointing Authority	President	Not yet	Not sure

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management Comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointing Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved or Not resolved" by the date of submitting this report to National treasury.

Dr. John Chumo
For: Chairman

Date

Appendix II: INTER-ENTITY TRANSFERS

ENTITY NAME: NATIONAL ENVIRONMENT COMPLAINTS COMMITTEE			
Break down of Transfers from the MINISTRY OF ENVIRONMENT & FORESTRY			
FY 2017-2018			
A	Recurrent Grants		
	RECEIPTS	Bank Statement Date	Amount (KShs)
		25-08-2017	5,818,313.00
		18-09-2017	11,000,000.00
		13-10-2017	8,333,000.00
		8-11-2017	8,333,000.00
		1-12-2017	8,333,000.00
		29-12-2017	7,849,687.00
		2-2-2018	8,333,000.00
		5-3-2018	8,333,000.00
		28-3-2018	2,902,000.00
		16-5-2018	16,666,000.00
		3-07-2018	8,334,000.00
		Total	94,235,000.00
b.	Development Grants		
		-	-
	Direct Payments		
		-	-
		Total	-
d.	Donor Receipts		
		-	-
		-	-
		Total	94,235,000.00

The above amounts have been communicated to and reconciled with the parent Ministry Finance Manager
ME&F

Sign 

Sign 