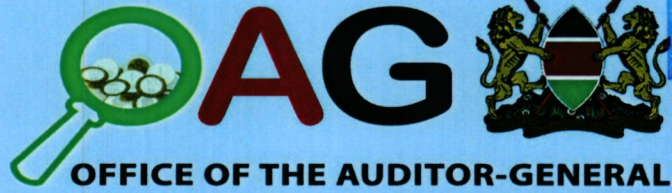


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THE AUDITOR-GENERAL

ON

**NATIONAL ENVIRONMENT MANAGEMENT
AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE, 2020**



nema

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OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
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NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2020

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

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**National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2020**

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

(b) Principal Activities

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

(c) Key Management

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

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

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2020 and who had direct fiduciary responsibility were:

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

(e) Fiduciary Oversight Arrangements

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

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

Finance and Human Resource Committee

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

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

Audit, Governance and Risk Management Committee

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

***National Environment Management Authority
Annual Reports and Financial Statements
For the financial year ended June 30, 2020***

(f) Headquarters

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

(g) Authority's Contacts

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

(h) Authority's Bankers

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

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

II. THE BOARD OF DIRECTORS

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



Dr. Chris K. Kiptoo

Principal Secretary, Ministry of Environment and Forestry:

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



Dr. Julius Muia

Principal Secretary, National Treasury.

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



Hon. Justice (Rtd) Paul Kariuki

Attorney General.

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



Dr. Kisa Juma Ngeiywa

Board Member:

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



Ms. Teresia Malokwe

Board Member:

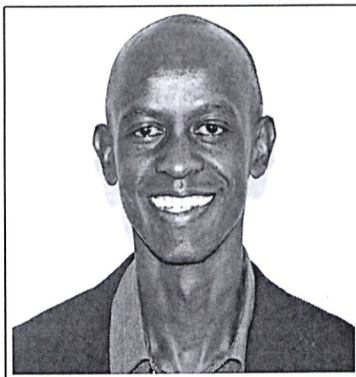
Ms. Teresia Malokwe holds a master's Degree in Health Economics and Policy from University of Nairobi and Bachelor of Science (Environmental Health) from Kenyatta University. She was born in 1985 and joined the Board in June 2018.



Prof. Barnabas Njiru Mitaru

Board Member:

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



Hon. Neto Agostinho

Board Member:

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



Hon. Halima Ware

Board Member:

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



Mr. Isaac Memusi

Board Member (National Treasury representative):

Mr. Memusi represents the Cabinet Secretary National Treasury: He holds a Bachelor's Degree from the University of Nairobi in Public Administration and Philosophy, Postgraduate Diploma in Public Administration from Kenya School of Government and is currently pursuing a Master's Degree in Public Administration from University of Nairobi. He is a career Administrator having started as a District Officer in 2003 at the Office of the President and worked in Ijara and Wajir districts until 2008 when he was posted to the Ministry of Justice and Constitutional Affairs as an Assistant Secretary. He is currently at The National Treasury as a Senior Assistant Secretary. He joined the Board in September 2017 and served up to December 2019.



CPA Isabella Kogei

Board Member (National Treasury representative):


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





Mr. Alex Mbuvi



Board Member (Attorney General representative):

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

	<p>Board Member (Principal Secretary Ministry of Environment and Forestry representative):</p> <p>Ms. Annie Syombua represents the Principal Secretary of Environment and Forestry at the Board. She is an advocate of the High Court of Kenya. She was born in 1975 and joined the Board in July 2019.</p>
<p>Ms. Annie Syombua</p>	

III. MANAGEMENT TEAM

<p>1</p>		<p>Director General:</p> <p>Mr. Mamo holds a Bachelor of Science degree in Agricultural Education & Extension from Egerton University and a Master of Science degree in Environmental Education from Kenyatta University. He is an Alumni of the International Leadership Development Programme (IVLP) – USA (2013).</p> <p>Mr. Mamo was appointed the Acting Director General in July 2019, Previously he was serving as Deputy Director in charge of Environmental Education, Information and Public Participation in the Authority. He was appointed substantively as the Director General on 13th August 2020.</p>
<p>2</p>		<p>Director Finance and Administration:</p> <p>CPA Ochuka holds a Master of Business Administration (Finance) and Bachelor of Commerce (Accounting) from the University of Nairobi. He is also a Certified Public Accountant of Kenya and a member of the Institute of Certified Public Accountant of Kenya.</p> <p>He has previously worked as Finance Manager at Water Services Trust Fund and General Manager Finance at National Water Conservation and Pipeline Corporation on secondment. He joined the Authority in his current position in 2012.</p>
	<p>Mr.Mamo B. Mamo</p>	
	<p>CPA Kennedy Ochuka</p>	

<p>3</p>	 <p>Ms. Irene Kamunge</p>	<p>Director Legal Services:</p> <p>Irene holds a Master of Law in Environment and Natural Resources and a Bachelor of Law from the University of Nairobi. She also holds a diploma in Law from Kenya School of Law and is an advocate of the High Court.</p> <p>She has previously worked as Vice Chairperson and Joint Secretary of Task Force Drafting Legislation on Implementing Land Use, Environment and Natural Resource Provision in the Constitution of Kenya. She has also worked as Legal Officer in the Education Department, Ethics and Anti-Corruption Commission; Researcher at Commission of Inquiry into Illegal /regular Allocation of Public Land (Ndungu Commission) and Legal Officer, Ecumenical Centre for Justice and Peace. She was appointed as the Director Legal Services in 2015.</p>
<p>4</p>	 <p>Mr. David Ongare</p>	<p>Director Compliance and Enforcement:</p> <p>Ongare holds Master of Science in Biology and a Bachelor's degree in Education (Science) from Egerton University.</p> <p>He has worked as Deputy Director in charge of Environment Education and Information in the Authority. He has as well worked in various fields, including lecturing/ teaching Biology and rose through the ranks to become head of a school and examiner for the Kenya National Examination Council (KNEC). He was appointed the Director Compliance and Enforcement in 2015.</p>

IV. CHAIRMAN'S STATEMENT

Dear stakeholders,

On behalf of the Board, I am delighted to present NEMA's Annual Report and Financial Statements for the financial year ended 30th June 2020. This financial year marked commencement of my second three year term as Chairman of the Board. I sincerely thank H.E The President of Republic of Kenya Hon. Uhuru Kenyatta for this reappointment to spearhead the noble environment agenda in the country. I will honor this reappointment by doing my best to realign the Authority's activities to better achieve its mandate; and to resolve some of the long outstanding issues the Authority is facing.

The Authority has endeavored to safeguard the environment and promote a greener and sustainable development pathway for Kenya. The Authority is committed to fulfilling its mandate of ensuring a clean and healthy environment for all Kenyans as provided for in the Constitution of Kenya, 2010 and the Environmental Management and Coordination Act (EMCA), Cap 387.

My board continues to support the NEMA management to leverage on strategic partnerships and build synergies with other government lead agencies and partners for the management and coordination of environment in the country. This has enabled the Authority undertake important activities towards the provision of a high quality of life to all Kenyans in a clean and secure environment as envisioned in our development blueprint, the Vision 2030 and the Big 4 agenda on food security, affordable housing, manufacturing, and universal healthcare.

Financial Performance

During the financial year under review, the Authority realised revenues amounting to KES 1.68 billion which was an increase of 13% on KES 1.49 billion raised the previous year. The Authority however continues to be heavily reliant on exchequer allocations, which in the year ended amounted to KES 1.3 billion, accounting for more than 77% of all the revenues raised by the Authority. Given the tight economic situation in the country and the pressure on government expenditures, the Authority is in advanced negotiations with the government to expand its revenue base to diversify and reduce the over-reliance on the exchequer.

The Authority collected KES 210 million in Appropriations in Aid (AIA) compared to 157 million in the previous year. This represents an increase of 33% from the previous year. The Authority realized a net surplus of **KES 3.2 million**.

Operations

The NEMA Strategic Plan sets out NEMA's vision, mission, goals and objective to ensure achievement of positive outcomes for our environment. The plan provides a road map for NEMA to achieve its mandate of ensuring a clean and health environment for all. We hope to propel the Authority to greater heights in environmental management. My Board has continued to put in place policies and strategies that endeavor to steer the Authority to greater heights in environmental coordination and management. To strengthen the regulatory framework for Environmental Management, the Authority is in the final stages of reviewing EMCA, 1999 before being presented to the Cabinet Secretary for further approval. The Controlled Substances Regulations have also been reviewed with input from key stakeholders considered. Towards strengthening environmental governance, the Authority made deliberate efforts to train 90 officers from 15 counties on Basic Enforcement Course (BEC). The gazettement of the 100 trained officers will go a long way to support the Authority's countywide enforcement actions. To improve quality of environment, the Draft State of Environment report for financial year 2019/21 has also been developed.

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We up scaled our enforcement actions on the ban on plastic bags. In 2017, we banned plastic carrier bags in Kenya and it was globally recognized as one of the best practices that we had undertaken. We had over 30 countries coming to benchmark with us and other environmental agencies in the country.

We were also able to implement a number of regulations that worked towards ensuring that our rivers are clean. We mapped out 140 discharge points along Nairobi River and clamped down on facilities that were discharging untreated effluent into Nairobi River. More than forty factories were affected in the exercise. In addition, we undertook what we call compliance assistance to industries. This was a NEMA initiative that helped and guided companies and industries comply with our environmental regulations.

To strengthen NEMA delivery of its mandate, Authority reviewed the institutional structure and submitted to the State Corporation Advisory Committee for approval through the Ministry of Environment and Forestry.

During the year, we continued to embrace partnership with County governments for sustainable development and implementation of devolved environmental functions.

Challenges

We have this far made significant strides in safeguarding and conserving the environment even with the challenges brought by the Covid -19 pandemic. The pandemic has greatly impacted some of our operational functions. However, we had done a number of other interventions to ensure that even through virtual meetings, we are able to continue with some of our programmes.

The future and conclusion

We envisage that the natural environment will be positively impacted post-COVID. I'm very optimistic that post-Covid, our environment will regenerate. At the moment, with the minimal traffic, there is a lot of natural regeneration taking place in our green spaces.

We as an Authority will strive to have policies that will protect the environment moving forward. Through our enforcement actions, we will strive to ensure that country doesn't tolerate or even subsidize activities that undermine our health, our food supply and livelihoods by degrading or destroying our precious ecosystems and their functions. This means mobilizing sufficient resources to, directly or indirectly, stimulate biodiversity actions at all levels of government, simplifying procedures to make funding more accessible and make biodiversity a non-negotiable value in policy and economic activities across sectors.

For this reason, I call for the support and cooperation of all Kenyans in delivery of this critical constitutional mandate of a clean and health environment for all.

I take this opportunity to record my sincere gratitude to all our stakeholders, especially our parent Ministry (Environment & Forestry) and our development partners, for their continued support as we execute our mandate. I also wish to appreciate my colleagues in the Board, Management and staff for their invaluable contribution and dedication in supporting the organization's mandate. I look forward to even more fruitful engagements in the new Financial Year.



Mr. John Konchellah

Chairman



Date

Nairobi

V. REPORT OF THE DIRECTOR GENERAL

I take this opportunity to present the Authority's annual report and financial statements for the year ended 30th June 2020. The National Environment Management Authority (NEMA) as established under Environmental Management and Co-ordination Act 1999 (EMCA 1999) has a twofold objective: to ensure sustainable management of the environment through exercising general supervision and coordination over matters relating to the environment and to be the principal instrument of government in the implementation of all policies relating to the environment. During the 2019/20 fiscal year the Authority continued to undertake her mandate to ensure a clean and healthy environment as provided for in Article 42 of the Constitution of Kenya 2010 albeit the challenging operating environment of the Authority.

Operations

To further promote ease of doing business in the country the Authority revised the Environmental Impact Assessment (EIA) licensing processing period for low risk projects to 5 days from 30 days through Kenya Gazette Notice No. 31 of May 2019. To upscale implementation of the revised regulations, an implementation guideline has been developed to guide the public and the Authority in the application and approval process. During the year under review, the Authority further established a digitized Intergrated Licensing Centre as one stop shop for all Environmental licensing regimes at NEMA headquarters.

To enhance the capacity of the Authority to deliver on its mandate, we made a deliberate effort to train county government officers on Basic Enforcement Course. During the year, 42 County Government officers from 11 Counties were trained. The counties represented include Garissa, Trans Nzoia, Baringo, Nandi, Uasin Gishu, Kericho, Samburu, Kitui, Elgeyo Marakwet and West Pokot.

To enhance our enforcement capacity, I gazetted 100 enforcement officers from different counties and institutions. In readiness for gazettelement of these inspectors, the Authority prepared code of conduct and qualifications for inspectors so as to ensure integrity in execution of their gazetted roles as inspectors.

To support devolution and decentralization of environmental functions, the Authority had planned to train thirty seven (37) gazetted County Environment Committees (CECs) as provided for in EMCA to perform their devolved environmental functions. During the year, the Authority trained Kiambu, Kilifi & Kirinyaga counties as Planned.

During the year, the Authority reviewed the Controlled Substances Regulations. The Environmental Management and Coordination (Controlled Substances) Regulations, 2020 will ensure that Kenya complies with the provisions of Montreal Protocol (MP) on Substances that deplete the Ozone Layer and its amendments. Virtual stakeholder meetings were held and feedback was received after media adverts for the same. Submission to the Cabinet Secretary is planned by 30th September, 2020.

The NEMA Strategic Plan 2019-2024 identified "low implementation of Devolved Environmental Functions (DEF)" as a challenge, and thus called for development of a strategy to enhance the uptake of these functions by counties. In this regard, the Authority developed framework of cooperation with Council of Governors (COG) on devolved environmental functions. The strategy seeks to champion the institutionalization of DEF (profiling and addressing county environmental concerns) as an integral part of development planning process at the county level.

The economy of Kenya and the livelihoods of her people largely depend on the utilization of her rich natural resource base. This resource base is increasingly under pressure from human activities, resulting in environmental degradation and depletion. The challenge, therefore, is to ensure sustainable use of our natural capital by striking a balance between its utilization and conservation. State of the environment (SoE) reports are accepted worldwide as a means of reporting on environmental issues and progress made towards sustainable development. During the year, the Authority

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developed the draft State of Environment for FY 2019/21 in fulfilment of Section 9(2)(p) of the Environmental Management and Coordination Act (EMCA) (Act No. 8 of 1999) which mandates the National Environment Management Authority (NEMA) to prepare annual State of the Environment reports for submission to the National Assembly.

The Environmental Management and Coordination Act (EMCA), 1999, is the framework law on environmental management and conservation. NEMA is empowered to develop regulations, prescribe measures and standards and, issue guidelines for the management and conservation of natural resources and the environment. In this regard, the authority during the year, the Authority developed guidelines and screening criteria to guide processing of low risk projects within 5 days as per Gazette Notice No. 31 and 32 of 2019.

During the year, The Authority prepared and implement a pollution control strategy for Nairobi River Basin and it included an action plan in the identification of stoppage of pollution sources along the river. The following activities of the strategy action plan were implemented during the year;

- Pollution sources mapped in Nairobi River, upstream of Michuki Park (Kirichwa Kubwa, Kirichwa Ndogo, Nyongara, Mathare, Ngong rivers)
- Two inspections were undertaken along Nairobi River solid waste transfer stations
- Two clean ups were held along Nairobi river at Aboretum and Michuki Park

Recently after Covid-19, NEMA came up with *The National Guidelines for the Management of Covid – 19 Waste*. The guidelines have detailed procedures and processes on how to manage waste in isolation centres, medical wards and even at the homecare level. We also circularized these guidelines to all the counties and sub-counties.

The Nairobi River Basin is very important for our city and the entire catchment area all the way to the Indian Ocean. Originating from the Ondiri Swamp in Kikuyu Kiambu County, it comprises three main rivers namely Nairobi, Ngong, and Mathare. Sadly, the river is facing a myriad of challenges which are all man made. From encroachment to pollution from both domestic and industrial activities, the river is in danger of dying. In order to save the Nairobi River, a task force was established and charged with the responsibility of ensuring that programs are put in place to address all issues facing the river. The program is expected to address pollution of Nairobi rivers, reclamation of the riparian reserves as well as initiating landscape management activities such as tree planting, garbage collection, unclogging of drainage systems, rehabilitation of roads, introduction of Rapid Bus Transit Systems among others. NEMA played key role in mapping out pollution sources in the Nairobi River. Regular enforcement actions are still ongoing with a number of facilities polluting the river arrested or given improvement orders for various non-compliance issues.

Other activities to map pollution sources were also conducted in Nairobi River Basin, Eldoret and Kisumu. The following activities were undertaken;

- Identified and mapped 15 dumpsites & illegally discharging facilities in Kisumu and Nairobi Urban rivers.
- 5 Arrests were done in Kisumu for polluting rivers within the county.
- 2 zones for location of community toilets(eco-toilets) identified within Wanyee area and Kawangware) and 5 Solid waste transfer stations (3 in Kisumu and 2 in Nairobi Urban rivers) Inspected

Air pollution is one of the biggest threats to global health today. As the world experiences global warming, increase in population and industrial growth which continue to pump out dirty emissions, this coupled with the ever increasing vehicular emissions the air continues to be polluted on a daily basis. The situation is exacerbated by the fact that half

the world has no access to clean fuels or technologies (e.g. stoves, lamps). This has far reaching implications on health, environment, and the future of human society. The gazettement of the Air Quality Regulations in 2014 was an important step forward in creating an opportunity to control air pollution in Kenya and raise consciousness in all sectors and empower NEMA to more robustly address the problem air pollution and climate change. To this end, the Authority undertook to sensitize key stakeholders on the Air Quality Regulations in Nairobi, Kisumu and Mombasa. A total of 133 stakeholders were sensitized.

Environmental journalists are expected to be advocates for changes to improve the quality of the planet. They should educate people about the serious state of the environment and use the power of the news media to bring about changes to improve the quality of the air, water, wildlife and natural resources. During the year, the Authority organized a workshop to train 20 journalists from different media houses on environmental reporting. This was to improve the quality of reporting by journalists by highlighting some key environment issues that have been prominent in the media in the current past.

The Authority also initiated the process of drafting wetlands management plans for Ewaso Narok, Ol Bollaasat and Sio Siteko wetlands. During the year, Stakeholder inputting meetings held in Laikipia for Ewaso Narok wetland. A consultative meeting was held with Nyandarua County Government on Lake Ol Bollaasat. Drafting and finalization of the management plans has been initiated.

To improve ethics and integrity in environmental licensing regime the Authority has undertaken the following listed activities;

- Review the experts register and issuance of practicing licenses for the year
- Undertake due diligence and vetting of experts where during the year criteria developed on vetting of experts

To strengthen NEMA delivery of its mandate, Authority reviewed the institutional structure and submitted to the State Corporation Advisory Committee for approval through the Ministry of Environment and Forestry.

Financial Performance

The allocations received from the exchequer as recurrent disbursements increased from KES 1.072 billion to KES 1.18 billion. The Authority was able to collect KES 210 million as Appropriation in Aid from licensing. This was an increase of 33% over the KES 157 million collected previous year.

The development partners disbursed KES 172.7 million. Mainly Danida through and Green Growth and Employment Program (GGEP) and Adaptation Fund. The Authority intends to maintain and deepen these partnerships and bring in more development partners.

The Authority's expenses were KES 1.66 billion. This represents 6% increase from last years of KES 1.56 billion. Staff costs still remain the major cost component accounting for 61% of total expenses.

Challenges

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

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- 19 pandemic. For instance, public participation when undertaking environmental impact and social assessments, has been greatly hindered due to social gathering and social distancing regulations. The following activities were also affected;

The Authority was prepared to train pending 30 County Inspectors from 10 counties but the activity was put on hold due to COVID-19 and compliance to the government directive to suspend all group activities.

Mapping in Eldoret was put on hold due to COVID-19 and compliance to the government directive on non-essential travel.

Way Forward

The Authority will endeavor to inculcate a culture of excellence in our operations, with processes being done right the first time and errors and waste eradicated from operations. NEMA employees have also been encouraged to become involved in the continuous improvement of services offered by the Authority. We strive to ensure that our services meet up to or surpass our customer's expectations.

Conclusion

I thank the Government and the development partners for their financial support that has enabled NEMA to undertake its mandate. I extend our gratitude to the Board of Management for their invaluable support and provisions of strategic leadership that was critical in achievement of the Authorities objectives. Special appreciation goes to NEMA Management and staff for their relentless effort and dedication in delivering services to our esteemed customers. Finally, I wish to extend my sincere gratitude to the Kenyan Citizenry for their support in the delivery of a clean and healthy environment for all.



Mr. Mamo B. Mamo
Director General



Date
Nairobi

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VI. REVIEW OF NEMA REGULATORY PERFORMANCE FOR FINANCIAL YEAR 2019/2020

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

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

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

NEMA develops its annual work plans based on the above 6 pillars. Assessment of the Authority's performance against its annual work plan is done on a quarterly basis. The Authority achieved the following performance targets set for the FY 2019/2020 period for its 6 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Environmental Quality Protection and Conservation	To improve quality of environment	Data Sets for National State of Environment (NSoE) reporting	Hold mapathons (Stakeholder meetings) to collect and consolidate data for NSoE reporting	28 stakeholders (Key lead agencies) engaged and Datasets for chapters of the NSoE collected and Draft NSoE 2019/20 prepared
		% of cases prosecuted & defended	Enforce environmental legislations and standards	A total of 253 environmental and criminal cases were prosecuted in the period
		No. of licenses issued	Processing of various licensing regimes	Licenses issued -EIA 4199, EDL 1618, and 386 on waste handling and transportation
		No. of Inspection reports	Undertake inspection of regulated facilities	3113 inspections undertaken across 47 counties to enforce environmental regulations
		No. of counties enforcement undertaken	Enforcement of the Plastic Ban in 47 Counties	Enforcement of plastic ban undertaken in 47 counties, 8 arrests and seizure of 5 machines and materials in Machakos.
		No of facilities Audited	Undertake Environmental Audits	860 Audits undertaken across the 47 counties targeting high risk, medium and low risk regulated facilities
		% Response to environmental incidents	Manage and Respond to Environmental incidents	Responded to all the 587 incident's relevant to NEMA' s mandate
		% of facilities mapped and categorized	Inventory, mapping and risk categorization of regulated facilities	Data base of Regulated facilities updated and categorized for the counties
	To promote sustainable natural resource utilization	No. of capacity building programmes	Build capacity of MCDAs in Environmental Sustainability	3 government agencies sensitized on environmental sustainability
		No. of Ministries, Departments and Agencies (MDA) Reports submitted and analyzed.	Analyse MDA quarterly reports	Reports from 23 MDA on environmental sustainability reviewed and feedback given

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
	To promote public behavioral change in environmental management	No. of compliance promotion programmes undertaken	Undertake compliance promotion programmes for industries	30 industries under the Compliance promotion program monitored across the western region (Kisii, Nyamira, Kericho, Narok, Uasin Gishu, Nandi, Kakamega, Kisumu, Vihiga, Homa Bay
Pillar 2: Ecological Integrity of Ecosystems	To promote conservation and management of aquatic and terrestrial ecosystems	No. of riparian wetland mapped	Map riparian lands for selected water bodies to determine encroachment	-Monitoring and assessment conducted for Nairobi, Ngong, Nyangores and Athi rivers
		No. of integrated wetlands management plans developed	Develop and submit for gazettment integrated wetlands management plans	Draft management plan for Lake Jipe developed. Stakeholder consultations held for Ewaso Narok and Sio Siteko wetland and lake Ol Bolasat
	To restore selected degraded aquatic and terrestrial ecosystems	No. of degraded water bodies inventoried	Inventorize water bodies	Inventory undertaken for degraded water bodies in Murang'a, Kajiado and Kiambu counties
Pillar 3: Climate Change	To support reduction and monitoring of Green House Gases (GHG) emissions	No. of reports submitted to Climate Change Council	Implement sector based GHG reporting frameworks	Process to develop the GHG framework monitoring tool through consultations commenced. With 4 online meetings
		Reviewed ODS regulation	Harmonize implementation of Ozone Depleting Substances regulations with Climate Change Act	Reviewed Ozone Depleting Substances regulations and harmonized with Climate Change Act
	To mobilize and deploy climate Finance	No. of projects funded	Establish strong and responsive project pipeline for funding	KES 1billion Athi River Catchment area project reviewed by ITAP for recommendation to the GCF board
	Support implementation of CCA, NAP, NDC, NCCAP	No. of content publications submitted to KICD	Develop relevant content for submission to KICD	Developed KICD booklet on climate change for schools.
Pillar 4: Environmental Governance & Coordination	To Strengthen the Regulatory Framework for Environmental Management	No. of Legislations reviewed	Review existing and develop environmental legislation and guidelines	Reviewed EMCA, 1999 and awaiting presentation to the Cabinet Secretary
		No of MEAs Supported	Perform international Obligations under MEAs	-Prepared Country position paper and participated in UNCCD for COP 14, Minamata Convention, Nagoya protocol capacity building on ABS and Intellectual property rights
	To Promote Synergy in Management of Environmental Functions	Dispute Resolution Framework developed	Develop an alternative dispute resolution framework for environmental governance	Developed alternative dispute resolution framework for environmental governance
Pillar 5: Green economy for Sustainable Development	To promote sustainable blue economy	No. of reports	Coordinate environmental activities implemented by stakeholders under Integrated Coastal Zone Management Plan	Stakeholders participated in Marine litter monitoring in the coastal counties

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
		% of action plan implemented	Prepare and implement Marine/Aquatic Litter Action Plan	Stakeholders consultations held for the Development of National Marine Litter Action Plan
		No. of water bodies mapped	Mapping of pollution sources impacting on coastal, marine and inland water bodies	Pollution tracking undertaken for Tana River
Pillar 6: Institutional Capacity	To Enhance NEMA's Corporate Image	Corporate Communications strategy	Develop and Implement corporate communications strategy	Revised the communication strategy
		No of Media engagements	Engagement of media during environmental events and dissemination of information	Organized 45 media coverage during inspections countrywide, Live interviews (EDL RRI), launch of strategic plan, Clean up the World, safe disposal of used masks, and covid-19 related medical waste on national and vernacular TV and Radio stations
		Updated social media platforms	Update social media regularly	Updated NEMA social media platforms daily
		Corporate Brand strategy	Develop and implement corporate branding strategy.	Developed branding strategy and to be implemented in next financial year.
	To Strengthen Human Capital	Reviewed organizational structure	Undertake Job Evaluation & workload analysis	Organization structure reviewed and implementation planned in next financial year.
		% of staff trained & developed	Develop training and development programs (Inhouse)	Trained 73 members of staff in relevant fields.
		Approved Performance Contract (PC) and quarterly reports	Coordinate Performance Contract and M and E	Prepared and implemented Performance contract for 2019/20 Quarterly monitoring implementation of activities in the 6 pillars
		Level of implementation	Cross cutting policies mainstreamed (Gender, ADA, HIV&AIDS, Disability and National Cohesion and values	Implemented the cross cutting issues to ensure compliance with statutory requirements
To enhance Financial sustainability of the Authority	Financial and Audit reports	Adhere to the Public Financial Management Act 2015 (PFM Act 2015) and best financial management practices	Financial and Audit reports prepared as per the PFM Act, 2015	
	Supply Chain Management Reports	-Strengthen procurement process -Implement the procurement plan	Quarterly report prepared and submitted to relevant agencies and reported to the Board	
To enhance Service Delivery	Implementation Reports	Implement Service Charter	Reviewed customer feedback forms and addressed issues raised	
	Provision of Personal Computers, servers, Licenses Renewal (Firewall, VoIP, Q-pulse, Antivirus, Navision)	Modernize and Upgrade ICT/GIS Infrastructure	Upgraded ICT network and accessories and equipment for staff	

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
		Upgraded ERP and Nationwide Licensing System rolled out	Upgrade ERP and Implement Nationwide Licensing System	Upgraded ERP and Implemented Nationwide Licensing System Established an Integrated Licensing Centre. This will be operationalized next financial year.
	Risk Management	% Implementation of Risk management frame work	Implement the Institutional Risk Management Framework (IRMF)	Monitored good governance practices in the organization and provided assurance on the effectiveness of the system of controls and risk management.

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

VII. CORPORATE GOVERNANCE STATEMENT

Establishment and composition of the board:

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

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

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

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

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

Board Committees

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

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

Finance and Human Resource Committee

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

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

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

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Up to 16/6/2020, the following were the members of the Committee

- a) Ms. Teresia Malokwe - Chairperson
- b) Ms. Annie Syombua
- c) Hon. Agostinho Neto
- d) Hon. Halima Ware Duri
- e) Mr. Isaac Memusi – left in December 2019
- f) Ms. Isabela Kogei – Joined in December 2019

From 16/6/2020, the Committee membership changed as follows:

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

Audit, Governance and Risk Management Committee

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

Up to 16/6/2020, the following were the members of the Committee

- a) Prof. Barnabas Mitaru – Chairman
- b) Principal Secretary Environment & Forestry
- c) The Attorney General
- d) Dr. Kisa Juma Ngeiywa
- e) Mr. Isaac Memusi – left in December 2019
- f) Ms. Isabela Kogei – Joined in December 2019

From 16/6/2020, the Committee membership changed as follows:

- a) Hon. Agostinho Neto – Chairman
- b) Prof. Peninah Aloo-Obudho
- c) The Attorney General
- d) Prof. Barnabas Mitaru
- e) Ms. Isabela Kogei

Environmental Management and Conservation Technical Committee

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

Up to 16/6/2020, the following were the members of the Committee

- a) Dr. Kisa Juma Ngeiywa - Chairman
- b) Prof. Peninah Aloo-Obudho
- c) Hon. Agostinho Neto
- d) Prof. Barnabas Mitaru
- e) Ms. Teresia Malokwe
- f) Hon. Halima Ware Duri

From 16/6/2020, the Committee membership changed as follows:

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

Strategy, Legal and Resource Mobilization Committee

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

Up to 16/6/2020, the following were the members of the Committee

- a) Hon. Agostinho Neto – Chairman
- b) Prof. Peninah Aloo-Obudho
- c) Hon. Halima Ware Duri
- d) Ms. Teresia Malokwe
- e) The Attorney General

From 16/6/2020, the Committee membership changed as follows:

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

Board Meetings

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

Name	Ordinary Meetings	Special Meetings	Other Meetings	Total Meetings
Board of Management	9	14	26	49
Finance and Human Resources	5	10	8	23
Audit, Governance and Risk Management	4	4	2	10
Environmental Management and Conservation Technical Committee	4	2	0	6
Strategy, legal and Resource Mobilization Committee	8	3	2	13
Total	30	33	38	101

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Full board meetings

During the year, the Board of Directors held a total of 49 meetings outlined as follows, 9 ordinary full board meetings, 14 special board meetings, 1 beat pollution conference, commemoration of the world environment day (WED) and World day to combat desertification (WDCD), 1 strategic plan and performance contract, 1 adhoc committee meeting, 7 DG NEMA recruitment, 1 EMCA review, 4 tree planting days, 3 delegates and special groups meetings, 1 NEMA staff meeting

Full Board meetings 2019-20 FY													
Board Members	Ordinary	Special	WW DC/ WE D/ DD D	Adhoc committee	Retreat	Strategic Plan & Performance contract	DG-NEMA Recruitment	EMCA Review	Tree Planting	Beat Pollution Conference	Delegates & special groups Meetings	NE MA Staff Party	Grand Total
John Konchellah	8	14	3		1	2	7	1	2	1	5	1	45
Neto Agostinho	9	14	2	3	1	1	7	1	4	1	3	1	47
Teresia M. Malokwe	9	13	3	3	1	1	6	1	4	1	3	1	46
Hon. Halima Ware	8	14	2		1	1	6	1	4	1	3	1	42
Prof. B. N. Mitaru	9	13	3	3	1	1	4	1	2		2	1	40
Dr. Kisa Juma Ngeiywa	9	12	3	2	1	1	5	1	1		2	1	38
Anne Syombua	6	9	2		1		4	1	1		2		26
Gerald Mwangi	3	7	1		1	1			1		2	1	17
Prof. P. Aloo-obudho	4	9	1	1		2	1						18
Alex Mbuvi	5	8	1		1			1					16
Cpa. Isabella Kogei	5	5	1				3	1					15
Isaac Memusi	2	5			1						2		10
David M. Gichuhi		1											1
Mamo B.Mamo	1												1

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

The committee held a total of 10 meetings with 4 ordinary committee meetings, 4 special meeting and 2 other meetings, retreat and a workshop as detailed in table below.

Audit, Governance and Risk Management Committee meetings 2019-20 FY					
Members	Ordinary	Special	Retreat	Workshop	Grand Total
Alex Mbuvi	4	4	1	1	10
Dr. Kisa Juma Ngeiywa	4	4	1	1	10
Prof. B. N. Mitaru	4	4	1	1	10
Isaac Memusi	2	2	1	1	6

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Anne Syombua	2	2			4
Cpa.Isabella Kogei	2	2			4
Gerald Mwangi	1				1
Hon. Halima Ware		1			1
Neto Agostinho		1			1
Prof. P. Aloo-obudho		1			1

Environmental Management and Conservation Technical Committee (EMCTC) meetings

In the Financial Year 2019-20, the Technical Committee of the Board of management held 6 meetings in total consisting of 4 ordinary meetings of the committee and 2 special meetings as tabulated below.

EM&CTC meetings 2019-20 FY			
Members	Ordinary	Special	Grand Total
Dr. Kisa Juma Ngeiywa	4	2	6
Hon. Halima Ware	4	2	6
Prof. B. N. Mitaru	4	2	6
Teresia M. Malokwe	4	2	6
Neto Agostinho	4	1	5
Prof. P. Aloo-obudho	2	1	3
Anne Syombua	1	1	2
Gerald Mwangi	1	1	2

The Finance and Human Resource Committee

During the Financial Year, 2019-20 the Finance and HR committee exercised its financial oversight role by holding 23 meetings in total. The breakdown of the meetings is as follows, 5 Ordinary meetings of the committee were held, 10 special committee meetings, 5 vetting of CDEs, a retreat, and 2 days' interviews.

Finance and Human Resource Committee meetings 2019-20 FY						
Members	Ordinary	Special	Vetting of CDES	Interviews	Retreat	Grand Total
Teresia M. Malokwe	5	10	5	2	1	23
Neto Agostinho	5	9	5	2	1	22
Hon. Halima Ware	5	10		2	1	18
Anne Syombua	4	7				11
Dr. Kisa Juma Ngeiywa		2	5	2		9
Isaac Memusi	1	4		1	1	7
Gerald Mwangi	3	3				6
Cpa.Isabella Kogei	2	2				4
Prof. B. N. Mitaru			4			4
Rosemary Wamoto	1					1

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

A total of 13 meetings of the committee were held during the 2019-20 financial year. In summary, 8 ordinary meetings of the committee were held while 3 special committee meetings, 1 retreat and 1 joint technical and strategy joint trip were done.

Strategy, Legal and Resource Mobilization Committee meetings 2019-20 FY					
Members	Ordinary	Special	Retreat	Technical & strategy joint trip	Grand Total
Neto Agostinho	8	3	1	1	13
Hon. Halima Ware	8	1	1	1	11
Teresia M. Malokwe	7	2	1		10
Anne Syombua	4	3	1	1	9
Alex Mbuvi	2	2			4
Cpa. Isabella Kogei	2		1		3
Gerald Mwangi	1	2	1		4
Prof. B. N. Mitaru		1	1		2
Prof. P. Aloo-obudho	2				2
Dr. Kisa Juma Ngeiywa			1	1	2
Isaac Memusi		1		1	2
John Konchellah			1		1

Recruitment of the Director General

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

The Role of the Board

As guided by EMCA, the State Corporations Act, Cap 446 and other relevant laws of Kenya, the Board's role is to provide effective leadership and control, in terms of approving the NEMA's strategy and ensuring best practice of corporate governance.

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

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

On a quarterly basis, the Board considers reports from each Board Committee. The Board meets at least once a quarter. The calendar of meetings is prepared annually in advance and detailed papers to be discussed are made available to Directors in good time before the meeting.

Board effectiveness

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

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

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

Director's remuneration

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

Statement of Compliance

The Board of Directors confirms that National Environment Management Authority has throughout the 2019/2020 financial year complied with the entire Statutory and Regulatory requirement and that the Authority has been managed in accordance with the principles of Corporate Governance.

Internal control and risk management:

Internal Control

The Directors are responsible for reviewing the effectiveness of the Authority's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

Standing Instructions

The Authority has a Code of Ethics and Service Charter that is applicable to all employees. These are two of a number of Standing Instructions to employees of the Authority designed to enhance internal control. The Authority has also designed a set of standing instructions to be followed in the management of various functions in the organization.

Organization Structure

A clear organizational structure exists, detailing lines of authority and control responsibilities. The professionalism and competence of staff is maintained both through rigorous recruitment policies and a performance appraisal system which establishes targets, reinforces accountability and awareness of controls, and identifies appropriate training requirements. Training plans are prepared and implemented to ensure that staff develop and maintain the required skills to fulfil their responsibilities, and that the Authority can meet its future management requirements.

Strategic Plan

The business of the Authority is determined by the Strategic Plan. The Strategic Plan sets out the objectives of the Authority, and the annual targets to be met to attain those objectives. The Strategic Plan is evaluated annually to assess the achievement of those objectives. The Board on an annual basis approves the work plan supported by the financial plan for the year. Progress against the plan is monitored on a quarterly basis.

Internal Control Framework

The Authority continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an on-going basis. A risk-based audit plan, which provides assurance over key business processes and operational and financial risks facing the Authority, is approved by the Audit Committee.

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

Risk Management

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

Management Team

The management team headed by the Director General implements the Board decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the Board's objectives are achieved effectively and efficiently. Such policies developed include the Anti-corruption policy, Disability, Gender and HIV mainstreaming, the ICT policy, among others.

VIII. MANAGEMENT DISCUSSION AND ANALYSIS

Operational Performance

The NEMA Strategic Plan sets out NEMA's vision, mission, goals and objective to ensure achievement of positive outcomes for our environment. The plan provides a road map for NEMA to achieve its mandate of ensuring a clean and health environment for all. We hope to propel the Authority to greater heights in environmental management. My Board has continued to put in place policies and strategies that endeavour to steer the Authority to greater heights in environmental coordination and management. To Strengthen the Regulatory Framework for Environmental Management, the Authority is the final stages of reviewing EMCA, 1999 before being presented to the Cabinet Secretary for further approval. The Controlled Substances Regulations have also been reviewed with input from key stakeholders considered. Towards strengthening on environmental governance, the Authority made deliberate efforts to train 90 officers from 15 counties on Basic Enforcement Course (BEC). The gazettement of the 200 trained officers will go a long way to support the Authority's countywide enforcement actions. To improve quality of environment, the Draft State of Environment for FY 2019/21 has also been developed

During the year under review, the Authority undertook to process EIA Licenses for Housing, Health, Manufacturing and Agriculture projects within stipulated timelines. Processing time of high risk EIAs was reduced from 90 days to 60 days for those that meet the conditions. During the year, 792 High risk EIAs were received and 588 processed within 60 days. Others had issues to be addressed by the proponents. The timelines for processing medium risk EIAs was reduced from 30 days to 21 days for those that meet the conditions. During the year the Authority received 2055 medium risk EIAs and processed 1802 within 21 days. 253 reports had issued to be addressed by the proponent. For low risk EIAs, the processing is done within 5 days. During the year, the Authority received 1539 reports and 1532 were processed within 5 days. 7 reports had issues to be addressed

Processing of Strategic Environment Assessment (SEA) for Housing, Health, Manufacturing and Agriculture timelines was reduced to 4 months as opposed to 6 months when submitted. SEA processing is a continuous process and as such there is continuous overlap in terms of the number of SEA reports received, reviewed and approved from one quarter to the other.

The Authority also maintained online invoicing of clients on Effluent Discharge License (EDL) to enhance efficiency, convenience and time saving for customers. During the year, the online invoicing was operational and 2,700 customers were invoiced and KES 56.7M

Issues of environmental management in Kenya such as air pollution, climate change impacts, water pollution, biodiversity loss, poor waste management, invasive species, deforestation, encroachment of riparian reserves and wetland ecosystems, poor land use planning and limited knowledge on environmental protection continue to pose a big challenge to the authority's mandate. To control pollution, NEMA prepared and implemented a pollution control strategy action plan for Nairobi River Basin and to include an action plan in the identification of stoppage of pollution sources. The Authority further facilitated the process of establishment of a multi-agency mechanism for rehabilitation of Nairobi River.

In air quality monitoring, the Authority quarterly monitored air quality in Nairobi and Mombasa for compliance enforcement in support of universal health coverage and manufacturing. 133 stakeholders in Nairobi, Kisumu and Mombasa were sensitized on air quality regulations.

To enhance public awareness of environmental issues, the Authority held 2 exhibitions during the Nairobi and Mombasa traded fair and 3 during the World Clean-up day, World environment day and World wetlands day in Mau respectively.

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Financial Performance

The allocations received from the exchequer as recurrent disbursements increased from KES 1.072 billion to KES 1.18 billion this was an increase of 10%. The allocations received from the exchequer as development disbursements was KES 240 million of which KES 124.4 million was recognised as the income for the current year the balance is recognised as deferred development income.

The Authority was able to collect KES 210 million as Appropriation in Aid from licensing. This was an increase of 33% over the KES 157 million collected previous year.

The development partners disbursed KES 103 million. The Authority's expenses were KES 1.66 billion. This represents 6% increase from last years of KES 1.56 billion.

Key Projects

During the period under review, with support from DANIDA under the Green Growth and Employment Project, the Authority developed awareness materials on County-wide Environmentally Sensitive Areas for 2 Green Points of Embu and Taita Taveta.

NEMA is also undertaking the "Integrated Programme to Build Resilience to Climate Change; Adaptive Capacity of Vulnerable Communities in Kenya" under United Nations Framework Climate Change Convention (UNFCCC). The project sponsor is The Adaptation Fund Board. The overall objective of the programme is to enhance resilience and adaptive capacity to climate change for selected communities in various Counties in Kenya in order to increase food security and environmental management. The project also has 3 Executing Entities (EEs) and 8 Sub-Executing Entities (Sub-EEs). During the year, the Authority monitored the 10 Executing Entities for the adaptation fund projects

The Authority is finalizing the establishment of a Licensing Centre at the Head office. The centre will be a one – stop-shop for the all

Entity's compliance with statutory requirements

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

Risk Management

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

Major risks facing the entity

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

Material arrears in statutory/financial obligations

There were statutory obligations at year end of **KES 16 million**.

IX. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Corporate social responsibility (CSR) has become one of the standard business practices of our time. For companies committed to CSR it means kudos and an enhanced overall reputation – a powerful statement of what they stand for in an often cynical business world.

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

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

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

During the financial year 2019/2020, the Authority carried out the following CSR activities;

- Planted 130,520 seedlings (Marsabit County – 38,720 , Mau Forest – 39,000, Gazi, Kwale – 2,000 mangrove seedlings, Maasai Mara Marathon – 5,000, Kajiado County (Oloitoktok) – 11,800) 19,000 seedlings during the World Wetlands Day in Mau Forest, (3,000 trees distributed and planted by households in Turkana, 1000 during WDCD, 1000 Ngong forest, 5000 African Public service Day , Kaptagat and sector field stations in Elgeyo Marakwet 18,000) Kaptagat and sector field stations in Elgeyo Marakwet 18,000)
- Model Schools identified in the 3 Counties where the Authority procured water harvesting structures, establishment of vegetable gardens and tree nurseries for the three ESD model schools.

Employee welfare

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

Market place practices

Access to Government Procurement Opportunities (AGPO): The Authority strictly adheres to the Presidential directive on Access to Government Procurement Opportunities (AGPO) which include to youth, women and PWDs as individuals or in organized groups.

During the year, the Authority offered AGPO KES 76.1M against a target of KES 100.8M. This is an achievement of 75.5%. We further prequalified the registered groups as affirmative action. The three (3) target groups were trained on government procurement procedures, requirements. The Authority also submitted to PPRA a summary of procurements allocated to the target group in the format provided in the PPRA website, www.tenders.go.ke and also submitted to National Council for Persons with Disabilities (NCPWD) a summary of procurement opportunities allocated to Persons with Disabilities (PWD).

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

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X. REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 30th June 2020, which disclose the state of affairs of the Authority.

Principal activities

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

Results for the year

The net surplus for the year of **KES 3.195 million** has been charged to Revenue Reserves.

Directors

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

Auditors

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

FOR AND ON BEHALF OF THE BOARD OF MANAGEMENT.



Mr. John Konchellah

Chairman

30/06/2021

Date

Nairobi

XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the 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 ended on June 30, 2019. These responsibilities include:




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

The Directors accept responsibility for the 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 State Corporations Act. 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, 2019, and of the entity's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the 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 Authority's financial statements were approved by the Board on 28/9/2020 and signed on its behalf by:

Mr. John Konchellah
Chairman

Date: 30/06/2021

Mr. Mamo B. Mamo
Director General

Date: 30/06/21

CPA. Kennedy Ochuka
Director Finance & Administration

Date: 30/06/2021

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Environment Management Authority set out on pages 1 to 25, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the National Environment Management Authority as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Environment Management and Coordination (Amendment) Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Failure to Acquire Ownership Documents

As previously reported, property, plant and equipment balance of Kshs.386,673,000 as at 30 June, 2020 excludes the value of nine (9) parcels of land in Kilifi, Lamu, Taita Taveta, Homa Bay, Isiolo, Embu, Kajiado, Elgeyo Marakwet, and Samburu counties where the Green Points have been constructed. The ownership documents for the above parcels of land as well as the land on which the Authority's Headquarters office is located were not provided for audit review.

Consequently, it has not been possible to confirm the value and ownership status of property, plant and equipment balance of Kshs.386,673,000 as at 30 June, 2020.

2. Receivables

As disclosed in Note 17 to the financial statements and as previously reported, the statement of financial position reflects a balance of Kshs.116,278,000 in respect of receivables from non-exchange transactions which includes imprest and advances amounting to Kshs.36,625,000 (2018/2019: Kshs.29,896,000) which had not been surrendered at the end of the financial year. It was noted that some of the debts include salary and field advances amounting to Kshs.23,894,000 and an imprest balance of Kshs.12,731,000 which had been outstanding for more than (4) four years.

Further, the Authority owed the Adaptation Fund an amount of Kshs.61,471,000 which had not been accounted for after the money was transferred to the implementing entities as tabulated below:-

	Entities	Kshs
(i)	Kenya Forestry Research Institute (KEFRI)	25,438,000
(ii)	Tana and Athi River Development Authority (TARDA)	27,448,000
(iii)	Coast Development Authority (CDA)	8,585,000
	Total	61,471,000

In the circumstances, it has not been possible to confirm the recoverability of the receivables amounting to Kshs.68,096,000 included in the receivables from non-exchange transactions balance of Kshs.116,278,000 as at 30 June, 2020.

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

Emphasis of Matter

1. Material Uncertainty Relating to Sustainability of Services

During the year under review, the Authority's statement of changes in net assets reflected a cumulative deficit to Kshs.38,181,000. The statement of financial position reflects current liabilities balance of Kshs.1,249,725,000 which exceeds current assets balance of Kshs.1,015,533,000 resulting to a negative working capital of Kshs.234,192,000 as at 30 June, 2020 (2019: Kshs.212,921,000). The Authority's continued existence is therefore dependent upon the financial support of the Government and its creditors.

2. Failure to recognize Contingent Assets and Contingent Liabilities

I draw your attention to Note 26 to the financial statements on provisions, contingent liabilities and contingent assets where Management has made a number of disclosures

on the contingent liabilities. IPSAS 19 (provisions, contingent liabilities and contingent assets) paragraph 36 stipulates that; a contingent liability is disclosed, as required by section 100, unless the possibility of an outflow of resources embodying economic benefits or the Authority potential is remote. However, Management did not disclose all the contingent liabilities as required by the IPSAS guidelines issued by the National Treasury in the presentation of the financial statements. Note 26 to the financial statements did not reflect the analysis of contingent liabilities despite the Authority having several outstanding court cases.

Further, it was noted that the Authority had accumulated several pending cases whose status was not provided for audit review as follows;

- (i) CMCR 1842 of 2016 where a multi-storey building in Huruma collapsed killing several people. NEMA was accused of negligence of duty and 50 counts of manslaughter.
- (ii) CMCR 9 of 2018 where a private dam (Solai) in Nakuru county collapsed and killed several people. NEMA was accused of negligence of duty and several counts of manslaughter
- (iii) Court case against former Director General and two other officers charged with an offence of conspiracy to defraud contrary to Section 317 of the Penal Code Cap 63 of Laws of Kenya. No details on the case were provided.
- (iv) As at the close of the audit, the Authority had accumulated a total of 618 pending court cases with third parties.

Management has therefore not made full disclosure and the Authority risk high penalties and loss should the above cases crystallize against the Authority in future and affect the financial performance of the Authority.

My opinion is not qualified with respect to these matters.

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 ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, 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 matter 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. Failure to Value Assets

Although Management has indicated in the notes that the Authority regularly revalues its assets, the note does not clarify how regularly this should be carried out. The Authority's Financial Management Manual does not have clear policy guidelines on the valuation of its assets.

In the circumstances, the existence of an effective tool to safeguard and maintain assets cannot be established.

2. Effectiveness of Board of Directors Work Plan

During the year under review, the Board expenses rose from Kshs.43,048,000 as reflected in 2018/2019 financial statements to Kshs.49,583,000 in 2019/2020 an increase of 15%. The Board's calendar/work plan for 2019/2020 had provided for an average of four (4) full board meetings for the whole year and the four (4) standing committees namely; finance and human resource committee; audit, governance and risk management committee; environmental management and conservation technical committee and strategy, legal and resource mobilization committee. However, analysis availed for Board expenses and the attendance register revealed that the trend for the attendance of meetings was haphazard with a number of special board and consultative meetings, an indication that the calendar of meetings may not have been adhered to as summarized below:

Description	Ordinary Meetings	Special Meetings	Total Meetings
Board of Management	9	14	23
Finance and Human Resource Committee	5	10	15
Audit, Governance and Risk Management Committee	4	4	8

Description	Ordinary Meetings	Special Meetings	Total Meetings
Environmental Management and Conservation Technical Committee	4	2	6
Strategy, Legal and Resource Mobilization Committee	8	3	11
Total	30	33	63

It was noted that on various occasions meetings with cumulative sitting allowance of Kshs.609,542 were deemed to have been held by one person but minutes of the meetings were not provided for audit review despite the attendance register having been signed.

Consequently, the effectiveness of the Board in overseeing of the Authority's operations could not be established as the legitimacy of the decision made in such meetings may not stand the test should they be challenged in a competent court of law.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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


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

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

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

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

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


 CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

02 February, 2022

KIII. STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2020

	Notes	2020 Kshs '000'	2019 Kshs '000'
Revenue from non-exchange transactions			
Government grants - recurrent	4	1,180,202	1,072,244
Government grants - development	5	124,370	60,373
Donor funds	6	172,670	206,344
		1,477,242	1,338,960
Revenue from exchange transactions			
Revenue receipts	7	210,002	157,329
Interest received	8	-	-
Other income	8	1,681	2,844
		211,683	160,173
Total revenue		1,688,925	1,499,133
Expenditure			
Staff costs	9	1,009,596	938,777
Administrative costs	10	323,796	298,566
Board expenses	11	49,583	43,048
Project expenses	12	160,559	187,182
Depreciation expense	13	83,669	66,261
Repairs and Maintenance	14	17,875	11,721
Utilities	15	11,899	16,981
		1,656,977	1,562,535
Total Expenditure		1,656,977	1,562,535
Surplus/(Deficit)		31,948	(63,402)
Surplus to National Treasury	25	(28,753)	-
Net Surplus/(Deficit)		3,195	(63,402)

The notes set out on pages 6 to 26 form an integral part of the Financial Statements.

**National Environment Management Authority
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XIV. STATEMENT OF FINANCIAL POSITION

As at 30th June 2020

	Notes	2020 Kshs '000'	2019 Kshs '000'
Assets			
Current assets			
Cash and cash equivalents	16	871,459	880,313
Receivable from non-exchange transactions	17	116,278	169,641
Inventories	18	27,796	18,779
		<u>1,015,533</u>	<u>1,068,732</u>
Non-current assets			
Property, plant and equipment	19	386,673	303,972
Capital Work in Progress		6,336	29,995
		<u>393,009</u>	<u>333,967</u>
Total assets		<u>1,408,542</u>	<u>1,402,699</u>
Liabilities			
Current liabilities			
Payables from exchange transactions	20	1,170,321	1,190,141
Employee benefits obligations	21	24,017	54,947
Provisions	22	26,634	36,565
Payable to National Treasury	25	28,753	-
Total liabilities		<u>1,249,725</u>	<u>1,281,653</u>
Net assets		<u>158,817</u>	<u>121,046</u>
Equity			
Capital Fund	23	175,473	175,473
Revenue Reserves	23	(38,181)	(78,326)
Revaluation Reserves	23	21,525	23,899
Total equity		<u>158,817</u>	<u>121,046</u>

The Financial Statements set out on pages 1 to 26 were signed on behalf of the Board of Directors by:



Mr. John Konchellah
Chairman



Mr. Mamo B. Mamo
Director General



CPA Kennedy Ochuka
Director Finance & Administration
ICPAK Member Number: 3872

Date: 30/06/2021

Date: 30/06/21

Date: 30/06/2021

XIII. STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30 June 2020

	Note	Accumulated Fund Kshs '000'	Revenue Reserve Kshs '000'	Revaluation Reserve Kshs '000'	Total Kshs '000'
At 1st July 2018		175,473	(32,419)	31,392	174,446
Prior year adjustment		-	17,495	-	17,495
Revaluation adjustment		-	-	(7,492)	(7,492)
Net deficit for the year		-	(63,402)	-	(63,402)
At 30th June 2019		175,473	(78,326)	23,899	121,046
At 1st July 2019		175,473	(78,326)	23,899	121,046
Prior year adjustment	24	-	36,950	-	36,950
Revaluation adjustment	19	-	-	(2,374)	(2,374)
Net surplus for the year		-	3,195	-	3,195
At 30th June 2020		175,473	(38,181)	21,525	158,817

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XIV. STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Notes	2020 Kshs '000'	2019 Kshs '000'
Cash flows from operating activities			
Surplus for the year		31,948	(63,402)
Adjustments for:			
(Gain)/Loss on disposal of property, plant & equipment	8	-	(131)
Depreciation of property, plant & equipment	13	83,669	66,261
Accumulated depreciation adjusted	19	1,305	7,492
Prior year adjustment	24	36,950	10,003
Operating (loss) before working capital changes		153,872	20,222
Changes in operating assets and liabilities			
(Increase)/decrease in trade and other receivables		53,362	36,755
Increase/(decrease) in trade payables from exchange transactions		(19,820)	685,142
Increase/(decrease) in employee benefits obligations		(30,931)	(36,904)
Increase/(decrease) in provisions		(9,931)	(18,516)
(Increase)/ decrease in inventories		(9,017)	4,503
Cash used in operations		137,536	691,202
Tax paid		-	-
Net cash used in operating activities		137,536	691,202
Cash flows from investing activities			
Purchase of property, plant and equipment	19	(146,391)	(113,144)
Proceed from disposal of property, plant & equipment		-	181
Net cash used in investing activities		(146,391)	(112,963)
Net (decrease) in cash and cash equivalents		(8,854)	578,239
Cash and cash equivalents at start of year		880,313	302,074
Cash and cash equivalents at end of year	16	871,459	880,313

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

For the year ended 30 June 2020

	Final budget 2019-2020	Actual on comparable basis 2019-2020	Performance difference 2019-2020	
	Kshs '000'	Kshs '000'	Kshs '000'	
Revenue				
Recurrent Grant	1,167,800	1,167,800	-	a)
Recurrent Grant - Other	11,000	12,402	1,402	
Development Grant	240,000	124,370	(115,630)	b)
Revenue Receipts	256,427	210,002	(46,425)	c)
Donor Funds	624,366	172,670	(451,696)	d)
Other Income	-	1,681	1,681	
Total income	2,299,593	1,688,925	(610,668)	
Expenses				
Personnel Expenses	934,960	913,467	21,493	e)
Staff Expenses	13,544	8,981	4,563	f)
Communication Expenses	15,372	8,746	6,626	g)
Printing & Stationery	14,547	6,893	7,654	h)
Staff Training Expenses	6,208	9,631	(3,423)	i)
Resource Center Expenses	1,318	418	900	j)
Travelling & Accommodation	51,262	53,823	(2,561)	k)
Motor Vehicle Expenses	46,997	44,580	2,417	l)
Computer Expenses	13,702	13,578	124	m)
Consultancy, Professional Fees, Tax & Legal awards	35,085	20,897	14,188	
Publicity and Communication	6,571	5,618	953	n)
Board Expenses	50,027	49,583	444	o)
Office Running Expenses	14,434	13,302	1,132	p)
Insurance Expenses	81,000	77,244	3,756	q)
Office Rent & Land Rates	19,976	23,205	(3,229)	r)
Office Utilities	10,000	10,866	(866)	s)
Maintenance and Repairs	2,862	3,219	(357)	t)
Bank Charges	1,440	1,705	(265)	u)
Depreciation Expenses	80,908	83,669	(2,761)	v)
Environmental Expenses	275,014	146,993	128,021	w)
Project Expenses	624,366	160,559	463,807	x)
Total expenditure	2,299,593	1,656,977	642,616	y)
Surplus for the period	-	31,948	31,948	z)

Notes on the significant variances

Income

a) Development Grant

The unutilized development grant was posted to deferred development income. Disbursement of the grant was also done late in the year.

b) Revenue receipts

There was a deficit of AIA collected in the year by KES 46.4 million due to reduced activities as a result of covid-19.

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c) Donor Funds

The reduced activities due to covid-19 meant less activities hence less absorption of donor funds. There was also delayed procurement and utilization of Adaptation fund activities.

Expenditure

F) Staff Expenses

The staff expenses increased due to staff party and advocates wigs and gowns needed to attend court. The staff party cost was KES 5.6 million and lawyer attires 0.4 million.

i) Staff Training Expenses

The expenses here include conference facilities for various working staff conferences, EMCA review retreat, Reviewers conferences, launch of strategic plan totalling to KES 5.1 million. The budget was also reduced from KES 13.5 million to KES 6.2 million.

k) Travelling and accommodation

The travelling expenses have increased due to provision on increased usage of air tickets during the periods. The budget was also significantly reduced. The pending bills were KES 3.7 million. The budget was also reduced from KES 82.2 million to KES 51.2 million.

n) Consultancy, Professional Fees, Tax & Legal awards

There were increased expenses in this category due to increase in legal fees, Legal awards from the courts. The amount expensed under this category also included audit fees.

s) Office Rent & Land Rates

The office rent was under budgeted. Some of the offices in the counties had not been factored. The budget was also significantly reduced. The rent for regions and counties was KES 8.4 million. The budget for office rent and utilities was also reduced from KES 40 million to KES 29.9 million.

t) Office Utilities

The office utilities were under budgeted with the budget significantly reduced. The budget for office rent and utilities was also reduced from KES 40 million to KES 29.9 million.

u) Maintenance and Repairs

There was slight increase in maintenance of the office buildings and office equipment to keep them in working conditions. Assets worth KES 143.7 million were added in the year.

v) Bank Charges

There was slight increase in the bank charges than anticipated.

w) Depreciation Expenses

There was increased depreciation than anticipated due to additional assets acquired in the year. Assets worth 146.4 million were added in the year.

XVI. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, 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 judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3n.

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

Standard	Effective date and impact:
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 are covered purely under Public Sector combinations as amalgamations. The standard is not relevant to the Authority as it does not control any other entities

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ii. **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020**

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2022:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> •Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; •Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and •Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>The financial assets reported in the financial statements have been classified and measured so as to take consideration the characteristics of the assets cash flows and the objective for which the asset is held.</i></p>
IPSAS 42: Social Benefits	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ol style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. <p>The Authority does not provide social benefits as defined by IPSAS 42</p>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2022:</p> <ol style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>

Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>
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iii. Early adoption of standards

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Fees (Licences)

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

The Authority collected KES 210 million from licence fees compared to KES 157 million in the previous year (This is a 33% increase).

Transfers from other government entities

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

The total revenue received from government and other development partners was KES 1.4 billion compared to KES 1.338 billion in the previous year.

ii) Revenue from exchange transactions – IPSAS 9

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

Rendering of services

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

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

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

Sale of goods

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

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

Interest income

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

No interest income was received in the year.

Rental income

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

No rental income was received in the year.

Donor funds

An amount of **KES 172.67 million** was received from various donors. The donations are recognised by the Authority when received as liabilities. The amount spent is recognised as income and any unexpended fund at the end of period adjusted to unspent donor funds.

b) Budget information – IPSAS 24

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

c) Taxes – IAS 12

Current income tax

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

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

Following amendments to the Public Finance Management Act regulations, NEMA is no longer required to pay corporate taxes but to remit 90% of its surplus funds to Kenya Revenue Authority. An amount of KES 28.8 is payable for the period.

d) Property, plant and equipment – IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment

are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. Assets valued at KES 146.4 million were acquired during the financial year.

e) Intangible assets – IPSAS 31

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

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

f) Inventories – IPSAS 12

Inventories of consumable nature are stated at the lower of cost and net realizable value. Cost comprises the purchase price and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs of selling the item. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity. During the year the Authority had a closing stock of consumable stock valued at KES 27.8 million.

g) Provisions – IPSAS 19

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

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

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

The Authority has recognized provisions of goods and services amounting to KES 14.1 million, 8.5 million relating to the non-practicing & prosecutorial allowances and cost of case relating to the case by the Authority lawyers which is additional provision to the 13.3 million already deposited with the courts and a provision of KES 3.95 million for Gratuity payment and leave days commuted for the former Director General Professor Geoffrey Wahungu.

Contingent liabilities

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

Contingent assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it becomes virtually certain that an inflow of economic benefits or service potential will

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arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

h) Changes in accounting policies and estimates – IPSAS 3

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

i) Employee benefits – IPSAS 25

Retirement benefit plans

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

j) Foreign currency transactions

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

k) Cash and cash equivalents

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

l) Comparative figures

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

m) Subsequent events – IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

n) Significant judgments and estimates

In the process of applying the Authority's accounting policies, management has made estimates and assumptions that affect the Authority. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future revenue flows that are believed to be reasonable under the circumstances. The key areas of judgment in applying the Authority's accounting policies are dealt with below:

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Critical judgments in applying the Authority's accounting policies

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

Fair values of financial instruments

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

Key sources of estimation uncertainty

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

Property and equipment

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

Intangible assets

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

Useful lives and residual values

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

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

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

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

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

	2020	2019
	KES '000'	KES '000'
4 Government grant - recurrent		
National Environment Management Authority (NEMA)	1,167,800	1,056,244
Government grant Other	12,402	16,000
	<u>1,180,202</u>	<u>1,072,244</u>

These are the amounts received from the Government to assist in meeting the Organization's Recurrent expenditures. It comprises of KES 1.167 billion received as recurrent grant for the year. The Authority also received KES 11 million as Counterpart funds for the Green Growth and Employment Project and KES 1.4 million for restoration of michuki park.

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	2020	2019
	KES '000'	KES '000'
5 Government grant - development		
National Environment Management Authority (NEMA)	124,370	60,373
	<u>124,370</u>	<u>60,373</u>

This relates to the amounts received from the Government to assist in meeting the Organization's Development expenditures. The total income received as development grant was KES 240 million. The revenue recognized was KES 124.37 million, the balance of KES 115.63 million was treated as deferred income. Development grant related to expenses for the period is treated as income in the statement of financial performance while for the purchase of assets it's treated as deferred income and allocated to statement of financial performance income over the useful lives of the related assets.

	2020	2019
	Kshs '000'	Kshs '000'
6 Donor funds		
Adaptation Fund Income	101,728	106,294
Exchange Gain (Adaptation Fund)	-	5,370
DANIDA GGECP	51,603	75,160
GCF - UNOPS	3,233	-
KEPTAP	12,285	14,470
Other Donor funds (TNA, SNC, ABS)	3,822	5,050
	<u>172,670</u>	<u>206,344</u>

This relates to various donor funds expended during the financial year. Donor funds expended during the year are recognized as Income and the balance as at the end of the year is treated as unspent donor funds. The total donor funds expended during the year was KES 172.67 million as compared to KES 206 million in the previous year.

	2020	2019
	Kshs '000'	Kshs '000'
7 Revenue receipts		
Water Quality	131,828	98,313
Waste Management	18,717	20,444
Biodiversity	308	660
Ozone Depleting Substances	90	362
Noise Pollution	267	307
EIA Income	4	157
Direct bank credits	47,649	31,204
Air quality	11,139	5,883
	<u>210,002</u>	<u>157,329</u>

These are the amounts collected as Appropriation- In- Aid (A-I-A) for the different licensing regimes monitored and Co-ordinated by the Authority as governed by the various regulations. The total A-I-A collected in the financial Year was a total of KES 210 million as compared to KES 157 million in the previous year.

	2020	2019
	KES '000'	KES '000'
8 Other Incomes		
Donations	975	2,199
Miscellaneous Income	706	514
Gain on Disposal	-	131
	<u>1,681</u>	<u>2,844</u>

These comprises of amounts received as Donations for WWD, WED, WDCD KES 0.9 million and Miscellaneous income KES 0.7 million mostly from sale of tender documents and court costs paid to the Authority.

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Expenditure	2020	2019
9 Staff Costs	Kshs '000'	Kshs '000'
Personal Emoluments	786,529	743,045
Employer's Pension/Gratuity	126,237	104,236
Employer's NSSF Contribution	973	948
Training Expenses	9,631	19,707
Insurance Expenses	77,244	64,383
Staff welfare expenses	8,981	6,458
	<u>1,009,596</u>	<u>938,777</u>

This relates to various Employee Expenses incurred. They include amounts paid as personal Emoluments of KES 786 million, Employer's Pension component/ Gratuity of KES 126.2 million, Employer's NSSF Contribution of KES 0.9 M, Amount incurred for training of Staff of KES 9.6 million, Insurance expenses of KES 77.4 million and other Staff Welfare expenses of KES 8.9 million. The increase in staff welfare is due to staff party which was held in FY 2019/2020 which was not there in FY 2018/2019.

10 Administrative expenses	2020	2019
	Kshs '000'	Kshs '000'
Local Travelling & Accommodation	51,030	77,753
Foreign Travelling & Accommodation	2,521	3,479
Rent	23,205	25,023
Regional/ County Operation Expenses	27,017	9,452
EIA Expenses	17,596	12,084
Plastic Bags Ban Expenses	94,203	60,373
Office & General Supplies & Services	33,796	40,518
Fuel and lubricants	25,472	38,460
Contracted Professional Services	7,017	6,002
Legal Deposit	13,300	-
Provision for Audit fees	580	580
Other Administrative Expenses	28,059	24,844
	<u>323,796</u>	<u>298,566</u>

This amount relates to various expenses that assist in the day to day operations of the Authority. They are instrumental in the Authority achieving its mandate and core objectives. A total of KES 316.8 million was incurred in the financial year and 298.5 million in the previous year.

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

These are expenditure for Board of Management and other benefits accruing to them. These include Sitting Allowances, accommodation, lunch allowances, travel reimbursements, honoraria, medical insurance air tickets and training. Board and Committee Expenses incurred amounted to KES 48 million, Honoraria KES 0.96 million and Medical Insurance of KES 0.5 million. A total of KES 43 million was used in the previous year.

12 Project expenses	2020	2019
	Kshs '000'	Kshs '000'
UNEP NCSA Project expenses	-	2

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NRM DANIDA Project expenses	-	1
IDF World Bank Grant	-	59
Access & Benefit Sharing Expen.	1	2
UNFCCC SNCC Expenses	2	2
UNFCC TNA Expenses	-	2
Adaptation Fund (NIE) Expenses	101,728	105,551
GGECP Expenses	51,603	75,160
GGECP Counterpart Expenses	2,271	4,752
National Research Fund Expenses	1,722	1,651
GCF Expenses	3,233	-
	<u>160,559</u>	<u>187,182</u>

This relates to amounts incurred as expenses for the various donor funded projects being undertaken by the Authority. The total amounts expended for the various projects in the year totaled to KES 160.6 million. The amount incurred in the year 2019 was KES 187.1M.

	2020	2019
	KES '000'	KES '000'
13 Depreciation expense		
Property, plant and equipment	<u>83,669</u>	<u>66,261</u>
	83,669	66,261

This is the portion of the depreciable amount of the Various Assets owned by the Authority that was expensed during the year. Depreciation is charged on a straight line basis. Depreciation amount charged to the Statement of Financial Performance is KES 83.7 million. Comprised of buildings KES 1.5 million, motor vehicles KES 49.2 million, furniture & fittings KES 9.9 million, office equipment KES 13.4 million, computer equipment KES 8.8 million and amortization of intangible assets KES 0.95 million. KES 66.2 million was charged in the year 2019.

	2020	2019
	Kshs '000'	Kshs '000'
14 Repairs and Maintenance		
Building	1,924	2,177
Equipment	1,296	1,145
Computer and networks	127	-
Vehicles	<u>14,529</u>	<u>8,399</u>
	<u>17,875</u>	<u>11,721</u>

These are the expenses incurred for repairs and maintenance to bring back the various Authority assets to a useable form upon deterioration. A total of KES 17.8 million was utilized during the year as compared to KES 11.7 million in the previous year. Motor vehicle repairs & maintenance increased due to purchase of more vehicles.

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

These are amounts paid for the various Utility services including Electricity, Water, Telephone, Internet and postal services. The total amount incurred during the year was KES 11.9 million as compared to KES 16.9 million in the year 2019.

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16 Cash and Bank Balances	2020	2019
a) Bank Balances	Kshs '000'	Kshs '000'
KCB Development Account [Acc No.1102292354]	203,112	229,018
KCB Restoration Account [Acc No.1101628758]	35,705	35,706
KCB Revenue Account [Acc No.1102298158]	11,531	5,678
KCB Gateway Recurrent [Acc No.1112705546]	242	15,086
KCB Nairobi Regional Account [Acc No.1144988209]	1,179	1,392
KCB Coast Regional Account [Acc No.1145067611]	1,455	1,558
KCB Eldoret Regional Account [Acc No.1144811988]	67	32
KCB Isiolo Regional Account [Acc No.1145025684]	3	0
KCB NCNSA Project [Acc No.1135682763]	32	32
KCB NRM Project Account [Acc No.1119972434]	31,756	31,757
KCB ABS Project Account [Acc No.1127404164]	516	517
KCB SNC Project Account [Acc No.1144217628]	2,366	2,368
KCB TNA Project Account [Acc No.1144217865]	155	155
KCB Adaptation Fund [Acc No.1165595192]	466,153	455,853
KCB Adaptation Fund [Acc No.1218639164] KSH	33,140	52,581
KCB GGECP Project [Acc No.1204171068]	70,540	35,238
COOP Revenue Account [Acc No.1100030858900]	1,144	1,144
CBA CBF (Biodiversity) [Acc No.6587230044]	3,677	3,678
BBK Pension Account [Acc No.708165964]	5,254	5,267
	868,025	877,059
b) Cash in Hand		
Nema Hq	188	245
c) Mpesa Holding		
Mpesa	3,073	3,008
d) ECITIZEN		
ECITIZEN	172	-
Total Cash and bank balance	871,459	880,313

The total amount of Cash in Hand and at the Bank as at the end of the year was KES 871.4 million as compared to KES 880.3 million in the previous year.

17 Receivables	2020	2019
	Kshs '000'	Kshs '000'
Outstanding Advance - NEMA	36,625	29,896
Receivable due to Adaptation Fund	61,464	126,802
Other debtors	18,189	12,943
	116,278	169,641

These are outstanding advances, imprests, Receivables from Adaptation Fund executing entities and other debtors. As at the end of the financial year there was a total of KES 116.3 million outstanding, this was composed of advance and imprests KES 36.6 million, KES 61.4 million owed to adaptation Fund executing entities, the KES 18.1 million other debtors comprise of prepayments and deposits.

18 Inventories	2020	2019
	KES '000'	KES '000'
Consumable stores	27,796	18,779

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27,796

18,779

The closing inventory as at June 2020 was KES 27.8 million as compared to KES 18.8 million in the previous year. The inventories comprise mainly of stationeries, computers, catering & sanitary consumables, awareness materials and tyres.

19 Property, plant and equipment

	Buildings	Motor Vehicles	Furnitures & Fittings	Computers & Printers	Intangible Asset	Office Equipment	Capital Work In Progress	Total
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
	2.5%	25%	12.5%	30%	30%	12.5%	-	-
Cost								
1st July 2018	146,064	142,691	66,991	38,189	6,696	27,137	17,931	445,698
Additions	-	24,036	2,693	1,592	1,838	70,920	12,065	113,144
Disposal	-	(800)	-	-	-	-	-	(800)
30th June 2019	146,064	165,926	69,684	39,781	8,534	98,057	29,995	558,042
Accumulated depreciation								
1st July 2018	7,563	79,921	20,489	28,437	6,032	8,631	-	151,072
Charge for the year	-	41,632	4,880	6,462	1,088	12,200	-	66,261
Accm dep on revaluation Adj	3,652	-	3,841	-	-	-	-	7,492
Accm dep on disposal	-	(750)	-	-	-	-	-	(750)
30th June 2019	11,215	120,802	29,209	34,899	7,119	20,831	-	224,075
Carrying amount								
30th June 2019	134,849	45,124	40,476	4,882	1,415	77,226	29,995	333,967
Cost								
1st July 2019	146,064	165,926	69,684	39,781	8,534	98,057	29,995	558,042
Additions	3,398	99,521	12,896	17,883	1,850	10,843	-	146,391
Transfer	23,659	-	-	-	-	-	(23,659)	-
30th June 2020	173,120	265,447	82,580	57,664	10,384	108,900	6,336	704,433
Accumulated depreciation								
1st July 2019	11,215	120,802	29,209	34,899	7,119	20,831	-	224,075
Charge for the year	1,468	49,160	9,933	8,785	948	13,375	-	83,669
Accm dep on revaluation Adj	2,374	-	-	-	-	-	-	2,374
Accm dep Prior year Adj	-	-	-	-	-	1,305	-	1,305
30th June 2020	15,057	169,962	39,142	43,685	8,068	35,511	-	311,423
Carrying amount								
30th June 2020	158,063	95,485	43,439	13,980	2,316	73,390	6,336	393,009

This indicates the Property, Plant and Equipment movement Schedule from Acquisition, Accumulated Depreciation and Netbook Values for the different classes of Assets as indicated in the carrying amounts as at 30th June 2020. The total additions during the year were KES 146.3 million and the Netbook value as at 30th June 2020 was KES 393 million.

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	2020	2019
	Kshs '000'	Kshs '000'
20 Trade and other payables from exchange transactions		
Sundry Payables	107,935	202,216
Taxes Payable	12,121	4,258
Unspent donor funds	650,438	688,520
Other Payables	57,103	55,768
Deferred Development Income	277,757	162,127
Unutilized Grant (KEPTAP)	64,967	77,252
	1,170,321	1,190,141

	2020	2019
	Kshs '000'	Kshs '000'
Breakdown of Unspent donor funds		
NRM Project	31,756	31,757
ABS Project	516	517
NCNSA Project	32	32
KCDP Project	0	-
SNC Project	2,366	2,368
TNA Project	155	155
GGCEP Project	113,238	64,840
Adaptation Fund	444,939	528,182
GCF Fund Liability	57,436	60,668
	650,438	688,520

Indicates various outstanding Liabilities as at the end of the financial year. The total amount for trade and other payables outstanding is 1.17 billion as compared to KES 1.19 billion in the previous year. Sundry payables comprise of suppliers & staff payable, taxes include withheld taxes payable, unspent donor funds are as analysed above, other payable include 46 million payable to base titanium, accruals and refunds for EIA registration. The Deferred development income and un-utilized KEPTAP grant are the income not yet utilized.

	2020	2019
	KES '000'	KES '000'
21 Employee benefits obligations		
Net salary	68	-
Statutory deductions (PAYE)	11,969	14,469
NEMA Staff Welfare Society	113	359
Staff Housing Scheme	1,275	1,275
Bank Deduction Payable	2,425	5,459
Insurance Deduction Payable	10	1,007
Sacco Deduction Payable	47	8,636
Pension Fund Payable	178	11,880
Provision for gratuity	-	-
Assurance Cover Payable	7,932	11,863
	24,017	54,947

Indicates various outstanding employee Liabilities as at the end of the financial year. PAYE KES 11.9 million, bank deductions and assurance cover payable KES 7.9 million is life insurance payable to deceased staff where there are disputes and the beneficiaries are yet to be identified.

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

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The general provisions include expenses which have been provided for and not yet paid as at the end of the year. KES 26.6 million in the current year and KES 36.6 million in 2019.

23 Reserves	2020	2019
Accumulated Fund	Kshs '000'	Kshs '000'
At start of the year	175,473	175,473
At end of the year	<u>175,473</u>	<u>175,473</u>
	2019	2019
Revenue Reserve	Kshs '000'	Kshs '000'
At start of the year	(78,326)	(32,419)
Prior year Adjustment	36,950	17,495
Surplus/(Deficit)	<u>3,195</u>	<u>(63,402)</u>
At end of the year	<u>(38,181)</u>	<u>(78,326)</u>
	2019	2019
Revaluation Reserve	Kshs '000'	Kshs '000'
At start of the year	23,899	31,392
Revaluation Adjustment	<u>(2,374)</u>	<u>(7,492)</u>
At end of the year	<u>21,525</u>	<u>23,899</u>

24. Prior year adjustments – IPSAS 3

The prior year adjustments in the revenue reserves amounting to a total of KES 36.95 million relates to provisions previously expensed and over expenditures. This was excess provisions in the previous periods. There was also adjustment of KES 19.8 million paid to Kenya Revenue Authority being the 90% of the surplus reported in the years 2013/2014 and 2014/2015 leading to aggregate prior year adjustment of Kshs 40 million.

25. Surplus Funds

Following amendments to the Public Finance Management Act regulations, NEMA is no longer required to pay corporate taxes but to remit 90% of its surplus funds to Kenya Revenue Authority. The Authority paid KES 19.8 million to Kenya Revenue Authority being the 90% of the surplus reported in the audited financial statements for years 2013/2014 and 2014/2015.

For financial year 2018/2019 the Authority has provided for payment of Kshs. 28.8 million which is 90% of the surplus of Kshs.31.9 million realised.

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

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

Provisions

The Authority has recognized provisions of goods and services amounting to KES 14.1 million, 8.5 million relating to the non-practicing & prosecutorial allowances and cost of case relating to the case by the Authority lawyers which is additional provision to the 13.3 million already deposited with the courts and a provision of KES 3.95 million for Gratuity payment and leave days commuted for the former Director General Professor Geoffrey Wahungu.

Contingent Liabilities

The following are major contingent liabilities as at 30th June 2020.

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

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

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

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

27. Related Party Disclosures-IPSAS 20

The Authority has six key management personnel. The managers participate in making key management decisions of the Authority and reports to Board of Management for guidance and the parent ministry for policy direction. The four key managers' remuneration for the financial year ended June 30, 2020 was KES 28.7 million. The Authority received KES 1.18 billion from the parent ministry as recurrent grant and KES 240 million as development grant of which KES 124.3 million was recognized as the income for the year.

28. Financial Instruments Disclosure-IPSAS 30

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

Receivables

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

Payables

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

29. Revaluation of Assets-IPSAS 17

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

30. FINANCIAL RISK MANAGEMENT POLICIES

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

(a) Significant accounting policies

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

(b) Financial risk management objectives

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

(c) Credit risk

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

	KES '000'
At 30 June 2020	
Cash at bank	871,353
Receivables	116,279
	<u>987,632</u>
At 30 June 2019	
Cash at bank	880,313
Receivables	169,641
	<u>1,049,954</u>

(d) Liquidity risk management

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

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

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

(e) Market risk management

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

Currency Risk

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

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XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised in the final external audit report 2017/2018, 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	Status:	Timeframe
FY 2017/2018	<p>Going Concern As previously reported, the Authority recorded a loss of KES138,191,000 (2017 Loss: KES174,554,000) thereby increasing the cumulative losses to KES32,419,000 as at 30th June 2018. Further, the statement of financial position reflects current liabilities balance of KES651,931,000 which exceeds current assets balance of KES531,751,000 resulting to a negative working capital of KES120,180,000 (2017KES19,586,000). In the circumstances, the Authority is therefore technically insolvent and its continued existence as a going concern is dependent upon the financial support of the Government and its creditors.</p>	<p>Management is in agreement that the Authority is in a negative working capital position. The Authority is however optimistic of a better financial performance in the financial years ahead after getting additional allocation of recurrent grants from the National Treasury. In addition, management wish to clarify that the unspent donor funds and deferred development income has also contributed to this however with the expected spending of these funds the situation will improve, the deficit in the current has also reduced to KES 63 million.</p>	<p>Kennedy Ochuka Director Finance & Administration</p>	<p>In progress</p>	<p>30/06/2020</p>
FY 2017/2018	<p>Property, Plant and Equipment Note 20 to the financial statements reflects the net book value of property, plant and equipment of KES 294,626,000 as at 30 June 2018 which does not include the value of (9) parcels of land where County Green Points have been established but which are not registered in the name of the Authority even after some buildings constructed having been capitalized. The areas include Kilifi, Lamu, Taita Taveta, Noma Bay, Isiolo, Embu, Kajiado, Elgeyo Marakwet, and Samburu. Consequently, it has not been possible to confirm the accuracy, completeness and ownership of the property, plant and equipment balance of KES 294,626,000 as at 30 June 2018.</p>	<p>The parcels of land were allocated to the Authority by county governments and other government departments and there are adequate documentations to support the allocations, the management is in the process of ensuring that the Authority gets titles to enable capitalization of the said parcels of land.</p>	<p>Alphonse Omollo Fixed Accountant</p>	<p>In progress</p>	<p>30/06/2020</p>
FY 2017/2018	<p>Assets Valuation Policy Although it is indicated that the Authority regularly revalues its assets, the note does not clarify how regularly this should be carried out, The Financial Management Manual for the Authority does not have clear policy guidelines to guide the management in the valuation of its assets. In addition, International Public Sector Accounting Standard Section 42,</p>	<p>Management wishes to clarify that the authority adopts cost model as its accounting policy. After recognition as an asset, an item of property, plant and equipment is carried at cost, less any accumulated depreciation and any accumulated impairment losses as per requirements of IPSAS 17. There is no need to regularly revalue the assets as the Authority has adopted cost model and not</p>	<p>Benedict Musyoki Senior Accountant</p>	<p>Resolved</p>	<p>30/12/2019</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe
FY 2017/2018	<p>requires an entity to choose either the cost model in paragraph 43 or the revaluation model in paragraph 44 as its accounting policy and shall apply that policy to the entire class of property, plant and equipment. IPSAS 17 further requires that revaluation should be carried out regularly, so that the carrying amount of an asset does not differ materially from its fair value at the balance sheet date.</p>	<p>revaluation model. Revaluations for Authority's items of property, plant and equipment is not necessary as they are fairly stated and there are no significant changes in fair value.</p>			
FY 2017/2018	<p>Under Funding The Authority had an approved grant of KES1,200,000,000 recurrent and KES 55,000,000 for development. During the period, it received KES 875,078,000 or (73%) for recurrent and nil amount for development resulting to an underfunding of KES 324,922,000 and KES55,000,000 (27% and 100%) respectively. Further, the Authority budgeted to receive KES 509,000,000 as donor grants but ended up receiving KES 303,393,000 representing 60%. With such huge revenue shortfall, the Authority may not be able to discharge its mandate as envisaged in Environment Management and Coordination (Amendment) Act, 2015.</p> <p>Environment Impact Analysis (EIA) Fees Abolishment The During the year under review, the Authority incurred a shortfall in self-generated revenue of KES250,974,000 as indicated at note 7 to the financial statements due to abolishment of Environmental Impact Assessment (EIA) fees. The abolishment was approved through a Cabinet decision and was communicated through a letter ref. OP/CAB/58/4A dated 22/11/16 by the Chief of Staff and Head of Public Service. A legal notice amending the existing law on abolishment of fees was not however availed for audit and the management was not in a position to explain the way forward. The charging of the fees was initially approved and mandated through an Act of parliament thus poses a legal challenge as the intended purpose of the fees may no longer have a backing of Environmental Management and Co-ordination Act, 2015 and the Authority may not be able to accomplish its mandate as stipulated in the Environmental Management and Co-ordination (Amendment) Act, 2015.</p>	<p>Management concurs that the Authority has not been able to receive all her disbursements from both exchequer and development partners. The Authority is however optimistic of a better financial performance in the financial years ahead after getting additional allocation of recurrent grants from the National Treasury. The authority was able to receive all the recurrent and development grant in FY 2018/2019 In addition, management is in the process of increasing internally generated revenues by enhancing the compliance and enforcement.</p>	Michael Omusula Chief Accountant	Resolved	31/12/2019
FY 2017/2018	<p>Environment Impact Analysis (EIA) Fees Abolishment The During the year under review, the Authority incurred a shortfall in self-generated revenue of KES250,974,000 as indicated at note 7 to the financial statements due to abolishment of Environmental Impact Assessment (EIA) fees. The abolishment was approved through a Cabinet decision and was communicated through a letter ref. OP/CAB/58/4A dated 22/11/16 by the Chief of Staff and Head of Public Service. A legal notice amending the existing law on abolishment of fees was not however availed for audit and the management was not in a position to explain the way forward. The charging of the fees was initially approved and mandated through an Act of parliament thus poses a legal challenge as the intended purpose of the fees may no longer have a backing of Environmental Management and Co-ordination Act, 2015 and the Authority may not be able to accomplish its mandate as stipulated in the Environmental Management and Co-ordination (Amendment) Act, 2015.</p>	<p>The management concurs with the observation however considering the abolishment of the EIA fees was through a cabinet decision which was in line with the "big four agenda", on promotion of manufacturing, and reduction of the cost of doing business the Authority had to comply with the directive, The National Treasury is funding the Authority for any shortfall caused by the abolishment of the fees.</p>	Kennedy Ochuka Director Finance & Administration I	Resolved	31/12/2019

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XVIII. Appendix 1: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment KES	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1 Integrated Programme to Build Resilience to Climate Change & Adaptive Capacity of Vulnerable Communities in Kenya under United Nations Framework Climate Change Convention (UNFCCC)	KEN/NIE/Multi/2013/1	ADAPTATION FUND BOARD	The project official start date is 01 05 2016- The project end date is 31 04 2019	901,442,454	Yes	Yes
2 Green Growth & Employment Program (GGEP)	2015-39789	Denmark - Danida	The project official start date is 2016 The project end date is 2020	440,000,000	Yes	Yes

Status of Projects completion

	Project	Total project Cost	Total expended to date KES	Completion % to date	Budget KES	Actual KES	Sources of funds
1	Integrated Programme to Build Resilience to Climate Change & Adaptive Capacity of Vulnerable Communities in Kenya under United Nations Framework Climate Change Convention (UNFCCC)	One billion	578,919,289	58%	377,652,713	101,728,261	GRANT (ADAPTATION FUND)
2	Green Growth & Employment Program (GGEP)	560 Million	348,675,417	62%	172,200,000	51,602,859	Denmark - Danida

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XIX. Appendix 2: INTER-ENTITY TRANSFERS

ENTITY NAME:		NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY		
Break down of Transfers from the Ministry of Environment and Forestry				
FY 19/20				
a. Recurrent Grants				
		Bank Statement Date	Amount (KES)	FY to which the amounts relate
		6-Sep-2019	264,061,000.00	2019/2020
		7-Nov-2019	291,950,000.00	2019/2020
		24-Dec-2019	27,889,000.00	2019/2020
		14-Feb-2020	291,950,000.00	2019/2020
		29-May-2020	97,316,667.00	2019/2020
		5-Jun-2020	97,316,667.00	2019/2020
		29-Jun-2020	97,316,666.00	2019/2020
		Total	1,167,800,000.00	
b. Recurrent Grants Others:				
	GGEP Conterpart	16-Mar-2020	5,500,000.00	2019/2020
	GGEP Conterpart	24-Jun-2020	5,500,000.00	2019/2020
		Total	11,000,000.00	
c. Development Grants				
		7-Feb-2020	120,000,000.00	2019/2020
		24-Jun-2020	120,000,000.00	2019/2020
		Total	240,000,000.00	
b. Donor Receipts				
	GGEP	Bank Statement Date	Amount (KES)	FY to which the amounts relate
		18-Feb-2020	22,500,000.00	2019/2020
		18-Feb-2020	77,500,000.00	2019/2020
		Total	100,000,000.00	
	RCT-13440 (Grant Towards Michuki Park Restoration)	29-Apr-2020	1,401,800.00	2019/2020
		Total	1,520,201,800.00	