

REPUBLIC OF KENYA



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OFFICE OF THE AUDITOR-GENERAL



REPORT



OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF  
STATE DEPARTMENT FOR ENVIRONMENT  
AND NATURAL RESOURCES**

**FOR THE YEAR ENDED  
30 JUNE 2016**



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**STATE DEPARTMENT FOR ENVIRONMENT AND NATURAL  
RESOURCES**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2016**

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

**State Department Of Environment and Natural Resources  
Reports and Financial Statements  
For the year ended June 30, 2016**

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<b>Table of Content</b>	<b>Page</b>
<b>I. KEY ENTITY INFORMATION AND MANAGEMENT .....</b>	<b>i-iv</b>
<b>II. FOREWORD BY THE CABINET SECRETARY .....</b>	<b>v-vii</b>
<b>III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES .....</b>	<b>viii-ix</b>
<b>IV. STATEMENT OF RECEIPTS AND PAYMENTS .....</b>	<b>1</b>
<b>V. STATEMENT OF ASSETS AND LIABILITIES .....</b>	<b>2</b>
<b>VI. STATEMENT OF CASHFLOW .....</b>	<b>3</b>
<b>VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED .....</b>	<b>4</b>
<b>VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT .....</b>	<b>5</b>
<b>IX. SUMMARY STATEMENT OF PROVISIONINGS .....</b>	<b>7</b>
<b>X. SIGNIFICANT ACCOUNTING POLICIES .....</b>	<b>8-9</b>
<b>XI. XIII NOTES TO THE FINANCIAL STATEMENTS.....</b>	<b>10-17</b>
<b>XII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....</b>	<b>18</b>

## **KEY ENTITY INFORMATION AND MANAGEMENT**

### **(a) Background information**

The Ministry was established by Executive Order No. 2/2015 of May 2015 by splitting the Ministry of Environment, Water and Natural Resources. At Cabinet level, the Ministry is represented by the Cabinet Secretary for Environment and Natural Resources, who is responsible for the general policy and strategic direction of the Ministry. The mandate of the Ministry is detailed in the Executive Order no. 2/2015, “to undertake protection, conservation and development of Environment, and Natural Resources for sustainable development”.

**The Ministry’s Vision is** “A clean, healthy, safe and sustainably managed environment, and Natural resources”

**The Mission is,** “To facilitate good governance in the protection, restoration, conservation, development and management of environment, water and natural resources for equitable and sustainable development”

### **(b) Key Management**

The Ministry’s day-to-day management is under the

- i. State Department of Environment
- ii. State Department of Natural Resources

The State Department of Environment is charged with responsibilities of implementing policies, strategies and development plans for conservation, protection and management of Environment.

The State Department of Natural Resources is tasked with the role of formulating, reviewing and implementation of policy on the Natural Resources sector and Regional Development programmes. The department of Regional Development Programmes has since been moved to the State Department of Planning and Statistics.

During the Financial Year 2015/16 the Principal Secretary for Environment was appointed as an Accounting officer for the Ministry.

The Principal Secretary State Department of Environment was therefore responsible for the preparation of Financial Statements for the Ministry of Environment and Natural Resources.

**State Department Of Environment and Natural Resources  
Reports and Financial Statements  
For the year ended June 30, 2016**

**(c) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2016 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	Mr. Charles Sunkuli
2.	Environment Secretary	Alice Kaudia,(Phd,HSC)
3.	Conservation Secretary	Gedion Gathara
4.	Senior Director Administration	Amb.Julius.K.Kandie,EBS
5.	Chief Economist	Anthony N. Mugane
6.	Director Kenya Wildlife Service	William Kiprono
7.	Director Kenya Forestry Service	Emilio Mugo
8.	Director Kenya Meteorological Services	Kames C. Kongoti
9.	Assistant Accountant General	Johnson Njuguna
10.	Principal Internal Audit	Elizabeth Kiano
11.	Director Human Resource Management & Development	M.S. Gitari
12.	Principal Supply Chain Management	Gilbert Mamati
13.	Director Nairobi River Basin Programme	Erick Akotsi
14.	Director National Environment Management Authority	Prof. Geoffrey Wahungu
15.	Chief Finance Officer	Patrick Kinya
16.	Director KEFRI	Ben Chikamai

**(d) Fiduciary Oversight Arrangements**

**Audit and finance committee**

(i) Mandate

The mandate of the audit committee shall include:-

- Assisting the accounting officer/chief executive officer in enhancing internal controls in order to improve efficiency, transparency and accountability.
- Reviewing audit issues raised by both internal and external auditors.
- Resolving unsettled and unimplemented Public Accounts and Public Investments Committees'(PAC/PIC)recommendations.

- Enhancing communication between management, internal and external audit and fostering an effective internal audit function.

However, the mandate of the audit committee shall not be limited in any way, which would prevent it from properly performing its duties and responsibilities.

**(ii) Duties and Responsibilities**

Duties and responsibilities covering three broad areas relating to compliance with internal controls, financial reporting and governance shall include:-

- Evaluating adequacy of management procedures with regard to issues relating to risk management, control and governance.
- Reviewing and approving the audit charter where applicable and internal audit annual work plans.
- Reviewing the systems established to ensure sound public financial management and internal controls, as well as compliance with policies, laws, regulation, procedures, plans and ethics.
- Initiating special audit/investigation on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency in consultation with the accounting officer/chief executive officer.

The above responsibilities should not prevent the audit committee from carrying out any tasks, which are within its mandate.

**(e) Headquarters**

P.O. Box 30126-00100  
NHIF Building  
Ragati Road  
Upper Hill  
Nairobi, KENYA

**(f) Entity Contacts**

Telephone: 0254-20-2730808/9  
E-mail: ps@environment.go.ke  
Email:PS@environment.go.ke

**State Department Of Environment and Natural Resources  
Reports and Financial Statements  
For the year ended June 30, 2016**

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**(g) Entity Bankers**

Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya

**(h) Independent Auditors**

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

**(i) Principal Legal Adviser**

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

## **FOREWORD BY THE CABINET SECRETARY**

The Ministry of Environment and Natural Resources, established by Executive Order No. 1/2016 of May 2016 is mandated to undertake protection, conservation and development of environment, and natural resources for sustainable development. In 2013, the government, in line with the Constitution, rationalized the portfolio, responsibilities and functions of all the Ministries and other Government Agencies. The Ministry is currently constituted as per the current executive order on the Organization of Government of the Republic of Kenya.

The Ministry of Environment and Natural Resources approved revised budget for the period under review was Kshs.10.917 billion. However, the actual expenditure/receipts by the ministry during the review period totaled about Kshs.9.702 billion. The Ministry spent about Kshs.6.416 billion on recurrent expenditures and Kshs.3.285 billion on development expenditure. The absorption rate is 88%.

The Ministry recognises its constitutional obligation in the water and environment sector and has been taking appropriate action. The Ministry implemented five (5) programmes in the review period 2015/16. These programmes are: Environment Policy Development and Coordination; Environment Management and Protection; Meteorological Services; Forestry Research, Development and Management; and Wildlife Conservation and Management.

A number of policies and legislations have been re-drafted and laws amended or enacted along the timelines of the Constitution; Climate Change Act, 2016; Draft Forest policy, Draft National Climate Change Policy; The Forest Conservation and Management (Amendment) Bill, 2014; Draft guidelines and Regulations Forest Management Bill were developed on Private Forests, Forest Management Plans, as well as Charcoal Guidelines.

The tree cover increased from 6.99% to 7.2% by raising and planting 150 Million tree seedlings nationally and protecting degraded forests for natural regeneration. This was achieved through farm forestry development, commercial woodlots establishment, green school programme, and rehabilitation of degraded forests. Under Green Schools Programme, the Ministry planted 6.46 Million tree seedlings in partnership with 3,241 schools. Further, 547,074 ha of natural forests were rehabilitated and protected in five (5) main water towers; 141,000 ha of plantations were maintained in Mau, Central highlands, North Rift, and Western Conservancies; 35,000 ha of farm forestry// agro

**State Department Of Environment and Natural Resources**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016**

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forestry established; 34,000 ha of commercial forests established; and production of 28,000 kg of high quality seeds. This had an impact of increasing tree cover in the country.

The upgrading and branding of National parks – especially the less visited has continued throughout the year including Meru National Park, Watamu Marine, Ruma National Park, refurbishment of cottages in Tsavo West National Park and Aberdare National Park. There was enhancement of tourism product in Kakamega National Reserve and Hellsgate National Park. To enhance mobility in protected areas 2500 Km of unclassified roads was maintained in the National Parks for ease of access of visitors and security responses. To mitigate increasing human wildlife conflict 60 Kms of fence was constructed in Meru National Park and Tsavo Conservation Area. An additional 1650 KM of fencing was maintained.

At the same time, KWS has demonstrated its vigilance in the protection of wildlife – with the concerted anti-poaching efforts. The downward trend that was experienced in the past two years is expected to continue. Enforcement of the CITES has been demonstrated to the country and globe through the destruction of 105 tons of ivory in April 2016 – ivory that was collected or impounded from local and international sources.

On the restoration of urban rivers and riparian areas, work was intensified in recognition of the importance of clean rivers to human health; especially in high density settlements. The cleaning of Nairobi and Sosian rivers continued. Tree planting was not a major activity in the current year, but the tree seedlings planted the previous year were maintained along Sio Marimba River, Sosian River, Chania River, Bakerenge River, Pekella, and Migori River. A total of 75 Km of riparian rivers were also rehabilitated. The planting was supported by 800 youths employed on temporary basis to support restoration of urban rivers and riparian areas. In addition, sludge was removed from Nairobi River - a total of 15,000 tons of solid waste was excavated and transferred for disposal.

Despite the achievements recorded over the review period, the Ministry continues to face a number of challenges. The challenges include limited funding, inadequate legal and policy framework, limited capacity of monitoring and evaluation, environmental degradation due to population pressure and high levels of poverty, climate change, limited value addition of natural resources resulting in excessive extraction, and low product diversification, as well as challenges occasioned by the implementation of the Constitution which focuses on the rights of the citizens. In addition, the sector

**State Department Of Environment and Natural Resources**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016**

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continues to face a number of emerging issues such as the global emphasis and the demands of a green economy as well as managing of stakeholder's expectations.

During the 2015/16 year, the Green Economy Strategy and Implantation Plan was completed and prepared for printing. At the same time, the various related programmes were implemented by the Ministry and partners some through the Green Growth Coordination Secretariat convened with the support of the Ministry of Industrialization. A new program was launched with the support of the Danish Government – namely Green Growth and Employment Creation. Other related partner supported activities included SWITCH Africa Green, and Operationalising Green Economy at Sub-National (County) Level – a project that is being piloted to come up with the best was of building the capacity of counties in Green Economy, it is expected that with requisite focus, Green Growth could become a substantive driving force in Kenya's economic growth in the coming years providing extra GDP points through strategies such as Resource-use Efficiency.

A notable addition in the area of Climate Change Mitigation and Adaptation was that by July 2015 Kenya presented its Intended Nationally Determined Contributions for Climate Change Mitigation and Adaptation. The Ministry has continued to effectively articulate Kenya's position in the various Multilateral Environment Agreements (MEAs), by ensuring that the country is effectively represented and at the same time the MEAs that have been ratified are implemented. In this regard, there has been continued public education throughout the country

In order to achieve the strategic objectives of the Ministry in line with the Constitution of Kenya, Kenya Vision 2030 and MTP II, the Ministry will continue to work with all stakeholders to work towards successful funding and implementation of Environmental Management Activities. Continued emphasis will be placed on collaboration with County Governments, since one of the constitutional roles of the National Government to provide technical assistance and capacity building of the County Governments. Areas of emphasis will include solid and liquid waste management - not just at the disposal level, but also through waste avoidance and reduction strategies.

With the support of all stakeholders, it is my hope that the Ministry of Environment and Natural Resources will continue to play its rightful role as articulated in the Executive Order 1/2016.

**State Department Of Environment and Natural Resources  
Reports and Financial Statements  
For the year ended June 30, 2016**

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**PROF. JUDI W. WAKHUNGU, EGH  
CABINET SECRETARY**

## **STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES**

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the State Department of Environment and Natural Resources is responsible for the preparation and presentation of the Departments financial statements, which give a true and fair view of the state of affairs of the Department for and as at the end of the financial year (period) ended on June 30, 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the ministry; (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 ministry ; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the State Department of Environment and Natural Resources accepts responsibility for the Ministry's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the Ministry's financial statements give a true and fair view of the state of Ministry's transactions during the financial year ended June 30, 2016, and of the Ministry's financial position as at that date. The Accounting Officer in charge of the State Ministry of Environment and Natural Resources further confirms the completeness of the accounting records maintained for the Ministry, which have been relied upon in the preparation of the Ministry's financial statements as well as the adequacy of the systems of internal financial control.

**State Department Of Environment and Natural Resources**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016**

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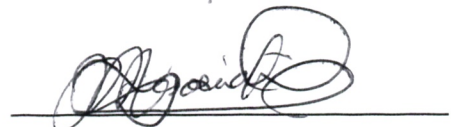
The Accounting Officer in charge of the Ministry of Environment and Natural Resources confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the Ministry's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the Ministry's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

**Approval of the Financial Statements**

The Ministry's Financial Statements were approved and signed by the Accounting Officer on \_\_\_\_\_ 2016.



**Principal Secretary**



**Principal Accounts Controller**

# REPUBLIC OF KENYA

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## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR ENVIRONMENT AND NATURAL RESOURCES FOR THE YEAR ENDED 30 JUNE 2016

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of State Department for Environment and Natural Resources set out on pages 1 to 28, which comprise the statement of financial assets as at 30 June 2016, and the statement of receipts and payments, statement of cash flows and the statements of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 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.

#### **Management's Responsibility for the Financial Statements**

The Accounting Officer - State Department for Environment and Natural Resources is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229 of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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*Report of the Auditor-General on the Financial Statements of State Department of Environment and Natural Resources for the Year ended 30 June 2016*

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

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

## **Basis for Qualified Opinion**

### **1.0. Cash and Cash Equivalents**

The cash and cash equivalents balance stood at Kshs.139,322,247 as at 30 June 2016. However, examination of the bank reconciliation statement revealed the following unexplained reconciling items:

#### **1.1. Recurrent Account**

The recurrent cash books reflects payments in the cash book not yet presented in the bank of Kshs.142,029,833 out of which payments of Kshs.30,423 are stale cheques and Kshs.3,038,786 being payments in bank not posted in cash book. It has not been explained how the payments went through in the bank without first being recorded in the cash book. Further, Receipts in cash book not yet recorded in the bank of Kshs.129,519,569. Further, no explanation has been provided on how the receipts were received in the cash book before they were recorded in the bank.

Further, management have not explained the receipts in bank not recorded in cash book amounting to Kshs.3,417,102 and why they had not been posted to the cash book.

#### **1.2 Development Account**

##### **1.2.1 Unpresented and Unrecorded Cheques**

The development account cash book reflects as at 30 June 2016 payments in the cash book not yet presented in the bank of Kshs.1,269,237,524 all of which were paid in the month of June 2016. This is an indication that most of the transactions were done towards the end of the accounting period and as a result payments totalling Kshs.902,000 in bank were not posted in cash book.

Management have not explained how the payments went through in the bank without first being recorded in the cash book.

##### **1.2.2. Unbanked Receipts**

Management have also not explained the failure to bank receipts in cash book not yet recorded in the bank of Kshs.1,039,598,000 as at 30 June 2016.

##### **1.2.3. Direct Bank Receipts not posted in Cash book**

Management has not explained receipts in bank not recorded in cash book amounting to Kshs.16,105,840 and why they have not been posted to the cash book.

### 1.3 Omitted Project Bank Accounts Balances

The cash and cash equivalents balance of Kshs.139,322,247 as at 30 June 2016 excludes project bank balances amounting to Kshs.25,508,170. The excluded balances were for the following programme accounts:

No.	Project	Amount Kshs.
1	Kenya Agri. Productivity and Sustainable Land Management	19,971,216
2	NRM Program	313,654
3	Kenya National Implementation Plan	544,661
4	GEF RPT Conversion	4,678,639
	<b>Total</b>	<b>25,508,170</b>

Management has not explained the understatement of the cash and cash equivalents balance of Kshs.25,508,170 as at 30 June 2016.

In view of the foregoing, the accuracy and completeness of the cash and cash equivalents balance of Kshs.139,322,247 as at 30 June 2016 cannot be ascertained.

### 2.0. Account Receivables

The account receivables balance increased from Kshs.4,269,759 as at 30 June 2015 to Kshs.63,945,569 as at 30 June 2016. However, the balance includes a salary advance of Kshs.409,123 with a supporting schedule for a balance of Kshs.692,419 resulting to an unexplained difference of Kshs.283,296. Similarly, Government imprest balance of Kshs.4,604,988 as per the financial statements is at variance with the supporting schedule balance of Kshs.10,610,415 resulting to an unexplained difference of Kshs.6,005,427. Further, imprests amounting to Kshs.5,983,428 were not surrendered within the stipulated time as required under the Public Finance Management Act, 2012. In addition, the balance of Kshs.58,931,458 shown as district suspense was not supported.

Consequently, it has not been possible to ascertain the accuracy, completeness and recoverability of the accounts receivables balance of Kshs.63,945,569 as at 30 June 2016.

### 3.0. Fixed Assets

#### 3.1. Summary Fixed Asset Register

Management did not attach to the financial statements presented for audit, a summary of fixed assets register (Annex 3 is empty) as required under the International Public Sector Accounting Standards (IPSAS) template prescribed by Public Sector Accounting Standards Board under which the financial statements are prepared.

Therefore, the financial statements do not comply with the IPSAS in regard to reporting format and disclosure of fixed assets.

### **3.2. Acquisition of Assets**

The acquisition of assets balance of Kshs.2,580,739,731 as at 30 June 2016 includes purchase of assets including land (Kshs.53,032,000), specialized plant and equipment (Kshs.473,835,834) and civil works (Kshs.756,810,898) which the ministry details on the assets such class of asset, value and location have not been provided by management.

As a result, propriety of the expenditure amounting to Kshs. 2,580,739,731 and the existence of the assets as at 30 June 2016 cannot be confirmed. Further no confirmation has been obtained that the assets are managed and utilized to enhance service delivery.

### **4.0 Other Revenues**

#### **4.1 Appropriations-in-Aid (AIA)**

Included in the receipts from the Ministry balance of Kshs.16,077,551,281 as at 30 June 2016 are other revenues of Kshs.3,597,421,179 being Appropriation in Aid (A-I-A) collected by parastatals under the Ministry including National Environment Management Authority (NEMA) and Kenya Wildlife Service (KWS) but no corresponding expenditure was recorded against the same contrary to the government accounting policies.

Further, it has not been explained how the A-in-A from other organizations were included in the Ministry's financial statements when the Ministry's' accounts are not consolidated financial statements.

Under the circumstances, it has not been possible to confirm the accuracy and completeness of other revenues of Kshs.2,906,162,888 included in the Ministry's statement of receipts and payments as at June 2016.

#### **4.2 Proceeds from Sale of Assets**

Also included in the receipts from the Ministry balance of Kshs.16,077,551,281 as at 30 June 2016 are proceeds from sale of assets of Kshs.2,906,162,888 being Appropriation- in-Aid collected by parastatals under the Ministry including Kenya Forest Service, (KFS) and Kenya Forest Research Institute (KEFRI) but corresponding expenditure on these same contrary to the accounting policies.

Further, it has not been explained how the A-in-A from the organizations were included in the Ministry's financial statements when the Ministry accounts are not consolidated financial statements.

### **5.0 Pending Bills**

Pending bills amounting to Kshs.186,596,604 chargeable to the State Department recurrent and development votes during the year under review were not paid in the year 2015/2016 but were instead carried forward to 2016/2017.

Had those bills been paid and expenditure charged, the statement of receipts and payments will have reflected a deficit of Kshs.46,927,624. Failure to settle bills during the year they arise distorts the financial statements for that year and adversely affects the provisions of the subsequent year to which they have to be charged.

Further, the pending bills amounting to Kshs.186,596,604 as at 30 June 2016 were not supported with the relevant documents such as invoices, local purchase orders, and or delivery Notes.

In the circumstances, it has not been possible to ascertain the correctness and validity of the pending bills balance of Kshs.186,596,604 as at 30 June 2016.

#### **4.0 Employee Costs**

##### **6.1 Unsupported Arrears**

During the year under review, the Ministry incurred employee costs of Kshs.1,351,320,643 including Kshs.51,462,643 being payment of arrears not entered in the cash book. The arrears were attributed to a Court Order of 10 May 2004 on realignment /harmonization of personnel. However, supporting documents were not provided to confirm validity of the payments made twelve (12) years after the court order was issued.

##### **6.2 Commuted Leave**

Included in employee costs are commuted leave allowances amounting to Kshs.5,814,663 paid contrary to Section N of the Government Code of Regulations Revised 2006 and Department of Personal Management (DPM) Circular No. DPM/38/1/1A/38. The State Department has been commuting leave for cash for the last two financial years (2014/2015 and 2015/ 2016) for various staff across different cadres. Scrutiny of personnel files across different departments revealed cases where officers never applied for leave in the financial year under review, while others applied for leave and were subsequently granted but still commuted leave for cash.

##### **6.3 Un-authorized Imprest Refunds**

The State Department paid without authorization Kshs.12,604,598 as refunds for over spent imprests. This amounted to making irregular payments.

##### **6.4 Unexplained Casual Wages**

Casual wages balance of Kshs.109,103,207 shown in the financial statements is supported with a schedule showing balances that add up to Kshs.114,393,223 resulting in an unexplained difference of Kshs.5,290,016. Included in the compensation to employees balance is the sum of Kshs.3,025,000 paid as meal allowance to staff contrary to Circular No MSPS 18/2A/89 dated 12 November 2009. In addition Kshs.1,200,400 included in the compensation to employees relates to other expenditure items that have been misposted.

Under the circumstance, the propriety of the expenditure of Kshs.79, 397,320 as at 30 June 2016 could not be ascertained.

## 7.0 Accuracy and Completeness of the Financial Statements

### 7.1 Un-disclosed Borrowings

Proceeds from foreign borrowing of Kshs.39,536,444 included in the statement of receipts and payments is not supported with a schedule showing amount received from each of the donors. It has therefore not been possible to confirm the completeness of the sum of Kshs.39,539,444 as at 30 June 2016.

### 7.2 Expenditure Misclassification and Misposting

The Appropriation Account reflects expenditure amounting to Kshs.23,789,323 which have been charged to wrong expenditure heads.

No.	Description	Amount (Kshs)
1	Purchase of Specialized Plant	5,751,667
2	Purchase of Certified seeds	3,420,000
3	Research and Feasibility studies	13,417,256
4	Personnel Emoluments	1,200,400
	<b>Total</b>	<b>23,789,323</b>

The inconsistency in charging the expenditures to wrong account class undermines the accuracy of the financial statements and renders budgeting meaningless.

As a result, the propriety and validity of the expenditure of Kshs.23,789,323 could not be confirmed.

### 7.3 Non-Submission of Project Financial Statements

The Ministry did not prepare and submit for audit financial statements for the following projects as required under the Public Audit Act, 2015 and the Public Finance Management Act, 2012. The projects included:

No.	Project Name
1	Kenya Agricultural Productivity and Sustainable Land Management
2	NRM Programme
3	Kenya National Implementation Plan
4	GEF RPT Conversion

The Ministry therefore contravened the laws on accountability for public expenditure.

In view of the foregoing, the accuracy and completeness of the financial statements for the year ended 30 June 2016 cannot be confirmed.

## **8.0 Irregular Procurement Expenditure**

### **8.1 Procurement, Delivery, Installation and Commissioning of Outdoor Weather Display Board**

The Ministry made a payment of Kshs.5,999,715 to M/S Airbone Logistics Limited for the supply, installation and commissioning of outdoor electronic weather display board equipment reportedly delivered in 2010. It has not been explained how a supplier would raise an invoice in 2016 for a supply made in 2010. No evidence was provided to confirm that the supply was indeed made in 2010.

Consequently, it has not been possible to confirm validity and propriety of the payment of Kshs.5,999,715 made to the supplies.

### **8.2 Supply of Firefighting Equipment**

The Ministry paid Kshs.4,23,700 to M/S Ryma Internal Company for the purchase of firefighting equipment. However, no tender minutes approving the award of the contract were provided for audit review. Further, the tender documents and local purchase order did not specify the parameters of the equipment to be supplied. Therefore, the quality of equipment supplied to the Ministry cannot be confirmed.

As a result, value-for-money on the expenditure of Kshs.4,239,700 could not be confirmed.

### **8.3 Supply of 2 Nos. 20KVA UPS**

A firm was awarded a tender to supply two 20 KVA Uninterrupted Power Supply Equipment (UPS) to the Ministry at a contract price of Kshs.7,331,250. However, the Tender Committee Minutes awarding the contract were not provided for audit review. Further, market survey indicated the price for the item was Kshs.828,302 against the contract price of Kshs.3,665,625 thus the two items bought were each overpriced of Kshs.2,837,323. The Ministry therefore lost Kshs.5,674,646 in the transaction. Management has not indicated any measures put in place to recover the lost amount.

### **8.4 Sub-contracting of Supply, Delivery, Installation and Commissioning of Integrated Metrological Data Collection System**

The Ministry awarded a contract of Kshs.169,500,054 to New Edge Solutions Limited on 2 November 2012 for the supply, delivery, installation and commissioning of integrated metrological data collection equipment. However, the contract was signed between the two parties on 18 October 2014 which was two years after the award. The contractor, without the approval of the contractee subcontracted the whole contract to Klass contrary to the Public Procurement and Disposal Act, 2005.

Under the circumstance, the payment of Kshs.169,500,054 is an irregular charge to public funds as at 30 June 2016.

## **8.5 Irregular Construction of Embu County Office**

The Metrological Department contracted M/S Cofard Construction (K) Limited to construct a model County Office in Embu in 2009 at a contract sum of Kshs.11,532,396 by floating a quotation contrary to the Public Procurement and Disposal Act, 2005.

The contract sum was revised upwards to Kshs.14,548,499 without adherence to procurement procedures. Further, no contract was signed between the two parties as required by the Public Procurement and Disposal Act, 2005. To date, the project has stalled casting doubt on the regularity of the expenditure of Kshs.14,548,499.

## **8.6 Tender to Construct Observatory Units**

The State Department awarded a tender for construction of two observatory units to Signature Contractors and General Supplies at a tender sum of Kshs.6,771,936. However, two months later, the State Department awarded another similar contract to Venera Investment at a Contract sum of Kshs.13,543,872 which was twice of the value the contract awarded to the first contract for the same work.

In the circumstance, it has not been possible to ascertain the propriety of the expenditure of Kshs.13,543,872 and the rationale for double award of the contract for observatory unit construction.

## **8.7 Nugatory Contract for Supply, Delivery Installation and Commissioning of Weather Observation System**

During the year under review, the State Department paid Kshs.9,491,023 to Kenya Auto Electrical Limited being 50% payment for the supply, delivery and commissioning of Weather Observatory Systems. The payment was made based on the purported supply procured in 2007. The Local Purchase Order was issued in 2007, and Delivery Note was dated 6 October 2008. There was no contract attached to support the payment besides, no mention being made regarding previous payments made and delivery of the system.

In the circumstance, the propriety of the payment of Kshs.9,491,023 cannot be confirmed.

## **9 Loss of Government Vehicle**

As reported in 2014/2015, the State Department vehicle registration number GKA 152Q (though assigned civilian number plate KAY 953F) valued at Kshs.5,460,000 was lost at Mlolongo area in Machakos County under unclear circumstances on 24 August 2013 at around 9.00 pm and was at the time being driven by an unauthorized person. However, Government regulations on reporting of stolen vehicles were not followed in reporting of the matters in the Ministry. It therefore seems that there is an intension to conceal the loss.

Management has not initiated any measures to recover the loss of Kshs.5,460,000 from the responsible parties.

## Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the State Department for Environment and Natural Resources as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

## Other Matter

### 1.0 Revenue Shortfalls

The aggregate exchequer release of Kshs.16,077,551,281 for the year under review were short of the approved budget figure of Kshs.20,395,438,968 by Kshs.4,317,887,687 whose variance has not been explained.

No.	Item	Budget Kshs.	Actual Kshs.	Variance Kshs
1	Recurrent	13,084,864,027	12,726,463,867	(358,400,160)
2	Development	7,310,574,941	3,350,967,214	(3,959,607,927)
	<b>Grand-Total</b>	<b>20,395,438,968</b>	<b>16,077,431,081</b>	<b>(4,318,007,887)</b>

### 1.1 Recurrent Grants

The State Department received Kshs.12,726,463,867 as exchequer releases out of the budgeted recurrent grant amount of Kshs.13,084,864,027 resulting to an unexplained shortfall of Kshs.358,400,160.

### 1.2 Development Grants

The State Department received Kshs.3,350,967,214 as exchequer releases out of the budgeted development grant amount of Kshs.7,310,574,94, resulting to an unexplained shortfall of Kshs.3,959,607,927.

Further, the total exchequer receipts of Kshs.16,077,551,281 received differs from the amount of Kshs.16,077,431,081 shown in the statement of comparative budget and actuals by Kshs.120,200. No explanation has been provided by management for the anomaly

### 1.3 Expenditure Budget Analysis

Comparison of budgeted item provisions against actual expenditures reflected the following position:

No	Item	Budget Kshs.	Actual Kshs.	Variance Kshs.
1	Compensation of Employees	1,278,994,704	1,289,153,060	(10,158,356)
2	Use of Goods and Services	837,334,527	711,810,514	125,524,013
3	Transfer to other Government Units	10,897,783,151	10,741,807,813	155,975,338

4	Social Benefits	5,000,000	4,998,630	1,370
5	Other Grants and Transfers	33,605,040	29,344,290	4,260,750
6	Acquisition of Assets	32,146,605	12,433,341	19,713,264
	<b>Total</b>	<b>13,084,864,027</b>	<b>12,789,547,648</b>	<b>295,316,379</b>

#### 1.4 Compensation of Employees

During the year under review, the State Department made compensation of employees payments totaling to Kshs.1,289,153,060 against the approved budget of Kshs.1,278,994,704 resulting in an over-expenditure of Kshs.10,158,356. This over expenditure has not been explained and no evidence has been provided to confirm that it was approved.

#### 1.5 Use of Goods and Services

During the year under review, the State Department spent a total of Kshs.711,810,514 on use of goods and services against the approved budget provision of Kshs. 837,334,527 resulting in under-expenditure by Kshs.125,524,033 or 85% absorption rate. No explanation has been provided for the under absorption

#### 1.6 Acquisition of Non-financial Assets

The State Department spent a total of Kshs. 12,433,341 or 39% on acquisition of assets against the approved budget of Kshs.32,146,605 resulting to underutilization of the budget by Kshs.19,713,264.

#### 1.7 Transfers to Other Government Units

The State Department paid Kshs.10,741,807,813 as transfers to other Government entities during the year against an approved budget of Kshs.10,897,783,813 resulting in underfunding by Kshs.155,975,338. It has not been explained why the State Department retained funds meant for other agencies and thus constrained their capacities to deliver services to the public.

In view of the foregoing, the State Department did not achieve its planned and budgeted activities and its objectives for the year under review.



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

**Nairobi**


**05 July 2017**

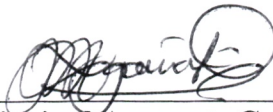
**State Department of Environment and Natural Resources  
Reports and Financial Statements  
For the year ended June 30, 2016**

**STATEMENT OF RECEIPTS AND PAYMENTS**

	Note	2015-2016 Kshs	2014-2015 Kshs
<b>RECEIPTS</b>			
Transfers from National Treasury	1	9,534,430,770	13,559,041,645
Proceeds from Foreign Borrowings	2	39,536,444	41,400,000
Proceeds from Sale of Assets	3	2,906,162,888	2,329,019,269
Other Revenues	4	3,597,421,179	378,888,674
<b>TOTAL REVENUES</b>		<b><u>16,077,551,281</u></b>	<b><u>16,308,349,588</u></b>
<b>PAYMENTS</b>			
Compensation of Employees	5	1,351,320,643	1,246,087,942
Use of goods and services	6	1,235,394,529	1,348,268,942
Transfers to Other Government Units	7	10,731,987,178	9,542,051,154
Other grants and transfers	8	31,441,590	31,689,430
Social Security Benefits	9	6,998,630	13,929,593
Acquisition of Assets	10	2,580,739,731	4,136,713,393
<b>TOTAL PAYMENTS</b>		<b><u>15,937,882,301</u></b>	<b><u>16,318,740,454</u></b>
<b>DEFICIT /SUPPLUS</b>		<b><u>139,668,980</u></b>	<b><u>(10,390,866)</u></b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on \_\_\_\_\_ 2016 and signed by:

  
Principal Secretary

  
Principal Accounts Controller

State Department Of Environment and Natural Resources  
 Reports and Financial Statements  
 For the year ended June 30, 2016

STATEMENT OF ASSETS AND LIABILITIES

	Note	2015-2016 Kshs	2014-2015 <i>restated</i> Kshs
<b>FINANCIAL ASSETS</b>			
Cash and Cash Equivalents			
Bank Balances	11A	138,993,049	68,206,515
Cash Balances	11B	329,198	10,645
Total Cash and cash equivalent		<b><u>139,322,247</u></b>	<b><u>68,217,160</u></b>
Accounts receivables	12	63,945,569	4,269,759
<b>TOTAL FINANCIAL ASSETS</b>		<b>203,267,816</b>	<b>72,486,919</b>
<b>FINANCIAL LIABILITIES</b>			
Accounts Payables – Deposits and retentions	13	57,084,782	(65,972,865)
<b>NET FINANCIAL ASSETS</b>		<b>146,183,034</b>	<b>6,514,054</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd		6,514,054	847,826,847
Surplus/Deficit for the year		139,668,981	(10,390,866 )
Prior Year Adjustments		-	(830,921,927)
<b>NET FINANCIAL POSITION</b>		<b>146,183,034</b>	<b>6,514,054</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on \_\_\_\_\_ 2016 and signed by:

  
 \_\_\_\_\_  
 Principal Secretary

  
 \_\_\_\_\_  
 Principal Accounts Controller

**State Department Of Environment and Natural Resources  
Reports and Financial Statements  
For the year ended June 30, 2016**

**STATEMENT OF CASHFLOW**

		2015 - 2016	2014 - 2015
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>Kshs</b>	<b>Kshs</b>
Receipts for operating income			
Transfers from National Treasury	1	9,534,430,770	13,559,041,645
Other Revenues	4	3,597,421,179	378,888,674
		<b>13,131,851,949</b>	<b>13,937,930,319</b>
Payments for operating expenses			
Compensation of Employees	5	(1,351,320,643)	(1,246,087,942)
Use of goods and services	6	(1,235,394,529)	(1,348,268,942)
Transfers to Other Government Units	7	(10,731,987,178)	(9,542,051,154)
Other grants and transfers	8	(31,441,590)	(31,689,430)
Social Security Benefits	9	(6,998,630)	(13,929,593)
		<b>(13,357,142,570)</b>	<b>(12,182,027,061)</b>
Adjusted for:			
Changes in receivables		(59,675,810)	4,269,760
Changes in payables		(8,888,083)	65,972,866
Prior Year Adjustments			
Net cash flow from operating activities		<b>(293,854,514)</b>	<b>1,817,606,364</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale of Assets	3	2,906,162,888	2,329,019,269
Acquisition of Assets	10	(2,580,739,731)	(4,136,713,393)
Net cash flows from Investing Activities		<b>325,423,157</b>	<b>(1,807,694,124)</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Foreign Borrowings	2	39,536,444	41,400,000
Net cash flow from financing activities		<b>39,536,444</b>	<b>41,400,000</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>71,105,088</b>	<b>(1,137,898)</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>		<b>68,217,160</b>	<b>69,355,058</b>
<b>Cash and cash equivalent at END of the year</b>		<b>139,322,248</b>	<b>68,217,160</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on \_\_\_\_\_ 2016 and signed by:

  
Principal Secretary

  
Principal Accounts Controller

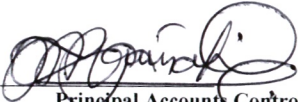
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**Reports and Financial Statements**  
**For the year ended June 30, 2016**

**SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED**

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>RECEIPTS</b>						
Proceeds from Domestic and Foreign Grants	3,094,413,181	43,500,000	3,137,913,181	443,334,591	(2,694,578,590)	0%
Exchequer releases	9,998,604,787	-	9,998,604,787	9,091,096,179	(907,508,608)	
Proceeds from Domestic Borrowings	-	143,000,000	143,000,000	39,536,444	(103,463,556)	28%
Proceeds from Foreign Borrowings	2,608,650,000	404,200,000	3,012,850,000	2,906,162,888	(106,687,112)	96%
Proceeds from Sale of Assets	3,608,871,000	494,200,000	4,103,071,000	3,597,300,979	505,649,821	88%
Other Receipts	3,094,413,181	43,500,000	3,137,913,181	-	-	0%
<b>TOTALS</b>	<b>19,310,538,968</b>	<b>1,084,900,000</b>	<b>20,395,438,968</b>	<b>16,077,431,081</b>	<b>(4,317,887,687)</b>	
<b>PAYMENTS</b>						
Compensation of Employees	1,433,583,300	3,235,684	1,436,818,984	1,351,320,643	85,498,341	94%
Use of goods and services	2,960,894,708	- 174,665,330	2,786,229,378	1,235,394,529	1,550,834,849	44%
Transfers to Other Government Units	10,892,277,560	929,377,983	11,821,655,543	10,731,987,178	1,089,668,365	91%
Other grants and transfers	33,605,040	-	33,605,040	31,441,590	2,163,450	94%
Social Security Benefits	9,000,000	( 2,000,000)	7,000,000	6,998,630	1,370	100%
Acquisition of Assets	5,739,629,437	( 510,241,483)	5,229,387,954	2,580,739,731	2,648,648,223	49%
<b>TOTALS</b>	<b>21,068,990,045</b>	<b>245,706,854</b>	<b>21,314,696,899</b>	<b>15,937,882,301</b>	<b>(5,072,625,728)</b>	<b>75%</b>

The entity financial statements were approved on \_\_\_\_\_ 2016 and signed by:

  
Principal Secretary

  
Principal Accounts Controller

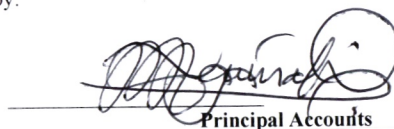
**State Department Of Environment and Natural Resources**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016**

**SUMMARY STATEMENT OF APPROPRIATION: RECURRENT**

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>RECEIPTS</b>						
Proceeds from Domestic and Foreign Grants						
Exchequer releases	6,225,943,027		6,225,943,027	6,223,000,000	(2,943,027)	99.95%
Proceeds from Foreign Borrowings						
Proceeds from Sale of Assets	2,608,650,000	400,700,000	3,009,350,000	2,906,162,888	(103,187,112)	97%
Other Receipts	3,608,871,000	240,700,000	3,849,571,000	3,597,300,979	(252,270,021)	93%
<b>TOTALS</b>	<b>12,443,464,027</b>	<b>641,400,000</b>	<b>13,084,864,027</b>	<b>12,726,463,867</b>	<b>(358,400,160)</b>	
<b>PAYMENTS</b>						
Compensation of Employees	1,204,200,000	74,794,704	1,278,994,704	1,289,153,060	(10,158,356)	101%
Use of goods and services	921,200,769	- 83,866,242	837,334,527	711,810,514	(125,524,013)	85%
Transfers to Other Government Units	10,604,115,960	293,667,191	10,897,783,151	10,741,807,813	155,975,338	99%
Other grants and transfers	33,605,040		33,605,040	29,344,290	4,260,750	87%
Social Security Benefits	5,000,000		5,000,000	4,998,630	1,370	100%
Acquisition of Assets	15,146,605	17,000,000	32,146,605	12,433,341	19,713,264	39%
<b>TOTALS</b>	<b>12,783,268,374</b>	<b>301,595,653</b>	<b>13,084,864,027</b>	<b>12,789,547,648</b>	<b>295,316,379</b>	<b>98%</b>

The entity financial statements were approved on \_\_\_\_\_ 2016 and signed by:

  
Principal Secretary

  
Principal Accounts

**SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT**

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>RECEIPTS</b>						
Proceeds from Domestic and Foreign Grants	3,094,413,181	43,500,000	3,137,913,181	443,334,591	2,694,578,590	14%
Exchequer releases	3,772,661,760		3,772,661,760	2,868,096,179	904,565,581	88%
Transfers from Other Government Entities						
Proceeds from Foreign Borrowings		143,000,000	143,000,000	39,536,444	103,463,556	28%
Proceeds from Sale of Assets		3,500,000	3,500,000			0%
Other Receipts		253,500,000	253,500,000			0%
<b>Total</b>	<b>6,867,074,941</b>	<b>443,500,000</b>	<b>7,310,574,941</b>	<b>3,350,967,214</b>	<b>3,959,607,927</b>	
<b>PAYMENTS</b>						
Compensation of Employees	229,383,300	(71,559,020)	157,824,280	96,356,453	(61,467,827)	61%
Use of goods and services	2,039,693,939	(90,799,088)	1,948,894,851	523,584,015	(1,425,310,836)	27%
Transfers to Other Government Units	288,161,600	635,710,792	923,872,392	138,961,600	(784,910,792)	15%
Social Security Benefits	4,000,000	(2,000,000)	2,000,000	4,000,000	2,000,000	200%
Acquisition of Assets	5,724,482,832	(527,241,483)	5,197,241,349	2,561,813,349	(2,635,428,000)	49%
<b>TOTALS</b>	<b>8,285,721,671</b>	<b>(55,888,799)</b>	<b>8,229,832,872</b>	<b>3,324,715,417</b>	<b>(4,905,117,455)</b>	

The entity financial statements were approved on \_\_\_\_\_ 2016 and signed by:

  
**Principal Secretary**

  
**Principal Accounts Controller**

**State Department of Environment and Natural Resources  
Reports and Financial Statements  
For the year ended June 30, 2016**

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**SUMMARY STATEMENT OF PROVISIONINGS**

- Details of General Accounts On Vote

	<b>2015 - 2016</b>	<b>2014 - 2015</b>
	<b>Kshs</b>	<b>Kshs</b>
GAV Provisioning account balance		
	11,926,449,164	1,466,956,053
<b>Total</b>	<b>11,926,449,164</b>	<b>1,466,956,053</b>

- Details of Exchequer Provisioning

	<b>2015 - 2016</b>	<b>2014 - 2015</b>
	<b>Kshs</b>	<b>Kshs</b>
Exchequer Provisioning balance	11,780,266,129	1,524,154,573
<b>Total</b>	<b>11,780,266,129</b>	<b>1,524,154,573</b>

  
Principal Secretary

  
Principal Accounts Controller

## **SIGNIFICANT ACCOUNTING POLICIES**

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

**1. Statement of compliance and basis of preparation**

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and applicable government legislations and regulations. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the entity and all values are rounded to the nearest shilling (Kshs'). The accounting policies adopted have been consistently applied to all the years presented.

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts.

**2. Recognition of revenue and expenses**

The entity recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the entity. In addition, the entity recognises all expenses when the event occurs and the related cash has actually been paid out by the entity.

**3. In-kind contributions**

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

**4. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

**5. Accounts Receivable**

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

**6. Accounts Payable**

**State Department Of Environment and Natural Resources**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016**

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For the purposes of these financial statements, deposits and retentions held on behalf of third parties has been recognized as accounts payables. This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National Government Ministries and agencies. Other liabilities including pending bills are disclosed in the financial statements.

7. **Non-current assets**  
Non-current assets are expensed at the time of acquisition while disposal proceeds are recognized as receipts at the time of disposal. However, the acquisitions and disposals are reflected in the entity fixed asset register a summary of which is provided as a memorandum to these financial statements.
8. **Pending bills**  
Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they are recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the entity at the end of the year. Pending bill form a first charge to the subsequent year budget and when they are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.
9. **Budget**  
The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The entity's budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the entity's actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.
10. **Comparative figures**  
Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.
11. **Subsequent events**  
Events subsequent to submission of the financial year end financial statements to the National Treasury and other stakeholders with a significant impact on the financial statements may be adjusted with the concurrence of National Treasury.
12. The deposit bank balance was not factored. This was also highlighted in the prior year audit Report now corrected to show correct position.

XIII NOTES TO THE FINANCIAL STATEMENTS

**1 EXCHEQUER RELEASES**  
**Description and reference of the transfer**

	2015-2016 Kshs	2014-2015 Kshs
1st quarter transfer	1,807,196,170	1,434,985,540
2nd quarter transfer	2,254,213,060	5,092,618,920
3rd quarter transfer	2,030,121,540	2,825,997,185
4th quarter transfer	3,442,900,000	4,205,440,000
<b>Total</b>	<b>9,534,430,770</b>	<b>13,559,041,645</b>

Included in the exchequer release are donor amounts refer to note 1A

**1A PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS**

Name of Donor	Date received	2015-2016 Kshs	2014-2015 Kshs
<b>Grants Received from Bilateral Donors (Foreign Governments)</b>			
IDA	8/10/2015	12,546,462.60	
DANIDA	27/11/2015	89,766,592.00	
IDA	18/12/2015	295,568,000.00	
IDA	9/3/2016	1,453,537.00	
DANIDA	30/03/2016	44,000,000.00	
<b>Total</b>		<b>443,334,591.60</b>	-

**2 PROCEEDS FROM FOREIGN BORROWINGS**

	2015-2016 Kshs	2014-2015 Kshs
Foreign Borrowing - Direct Payments	39,536,444	41,400,000
<b>Total</b>	<b>39,536,444</b>	<b>41,400,000</b>

**State Department of Environment and Natural Resources  
Reports and Financial Statements  
For the year ended June 30, 2016**

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**3 PROCEEDS FROM SALE OF NON-FINANCIAL ASSETS**

	<b>2015-2016 Kshs</b>	<b>2014-2015 Kshs</b>
Receipts from the Sale Plant Machinery and Equipment	90,000	17,000
Receipts from Sale of Certified Seeds and Breeding Stock	2,898,722,888	2,329,002,269
Receipts from the Sale of Inventories, Stocks and Commodities	7,350,000	-
<b>Total</b>	<b>2,906,162,888</b>	<b>2,329,019,269</b>

**4 OTHER REVENUES**

	<b>2015-2016 Kshs</b>	<b>2014-2015 Kshs</b>
Rents	254,000	1,200,000
Receipts from Administrative Fees and Charges	3,034,541,179	-
Receipts from Administrative Fees and Charges - Collected as AIA	559,676,000	324,567,846
Receipts from Incidental Sales by Non-Market Establishments	2,950,000	6,314,000
Other Receipts Not Classified Elsewhere		46,806,828
<b>Total</b>	<b>3,597,421,179</b>	<b>378,888,674</b>

**State Department of Environment and Natural Resources**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016**

**5 COMPENSATION OF EMPLOYEES**

	<b>2015-2016</b>	<b>2014-2015</b>
	<b>Kshs</b>	<b>Kshs</b>
Basic salaries of permanent employees	649,166,512	565,574,288
Basic wages of temporary employees	109,103,207	188,001,795
Personal allowances paid as part of salary	593,050,924	492,511,859
<b>Total</b>	<b>1,351,320,643</b>	<b>1,246,087,942</b>

**6 USE OF GOODS AND SERVICES**

	<b>2015-2016</b>	<b>2014-2015</b>
	<b>Kshs</b>	<b>Kshs</b>
Utilities, Supplies and Services	28,027,669	33,188,311
Communication, Supplies and Services	43,487,257	49,631,734
Domestic Travel and Subsistence, and Other Transportation Costs	172,465,682	144,222,241
Foreign Travel and Subsistence, and other transportation costs	66,220,655	60,164,303
Printing , Advertising and Information Supplies and Services	17,279,031	69,318,351
Rentals of Produced Assets	124,864,093	106,987,670
Training Expenses	32,974,848	62,005,950
Hospitality Supplies and Servi	108,856,830	108,088,115
Insurance Costs	454,263	6,729,750
Specialised Materials and Supp	149,702,567	152,533,129
Office and General Supplies and Services	19,566,209	44,676,587
Fuel Oil and Lubricants	33,405,397	46,425,093
Other Operating Expenses	406,159,944	421,195,365
Routine Maintenance - Vehicles	18,186,639	46,425,093
Routine Maintenance - Other Assets	13,743,445	19,288,028
<b>Total</b>	<b>1,235,394,529</b>	<b>1,348,268,942</b>

**7 TRANSFER TO OTHER GOVERNMENT ENTITIES**

<b>Description</b>	<b>2015-2016</b>	<b>2014-2015</b>
	<b>Kshs</b>	<b>Kshs</b>
Current grants to Government Agencies	10,593,025,578	8,724,177,404
Capital grants to Government Agencies	94,961,600	751,873,750
Other capital grants and transfers	44,000,000	66,000,000
<b>TOTAL</b>	<b>10,731,987,178</b>	<b>9,542,051,154</b>

**State Department of Environment and Natural Resources  
 Reports and Financial Statements  
 For the year ended June 30, 2016**

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**8 OTHER GRANTS AND OTHER  
 PAYMENTS**

	<b>2015-2016</b>	<b>2014-2015</b>
	<b>Kshs</b>	<b>Kshs</b>
Other current transfers, grants	11,438,603	13,528,628
Other capital grants and transfers	20,002,987	18,160,802
<b>Total</b>	<b>31,441,590</b>	<b>31,689,430</b>

**9 SOCIAL SECURITY BENEFITS**

	<b>2015-2016</b>	<b>2014-2015</b>
	<b>Kshs</b>	<b>Kshs</b>
Government pension and retirement benefits	6,998,630	13,929,593
<b>Total</b>	<b>6,998,630</b>	<b>13,929,593</b>

State Department Of Environment and Natural Resources  
 Reports and Financial Statements  
 For the year ended June 30, 2016

10 ACQUISITION OF ASSETS

	2015-2016 Kshs	2014-2015 Kshs
<b><u>Non Financial Assets</u></b>		
Construction of Building	149,160,000	197,771,038
Refurbishment of Buildings	21,799,494	73,705,362
Construction of Roads	332,750,000	617,244,176
Construction and Civil Works	756,810,898	817,756,819
Overhaul and Refurbishment of Construction and Civil Works	20,000,000	2,700,000
Purchase of Vehicles and Other Transport Equipment	18,490,000	28,650,000
Overhaul of Vehicles and Other Transport Equipment	999,500	574,000
Purchase of Household Furniture and Institutional Equipment	1,380,370	2,034,200
Purchase of Office Furniture and General Equipment	1,319,076	182,252,750
Purchase of Specialised Plant, Equipment and Machinery	473,835,834	450,886,483
Rehabilitation and Renovation of Plant, Machinery and Equipment	999,850	2,446,400
Purchase of Certified Seeds, Breeding Stock and Live Animals	492,540,905	1,040,363,585
Research, Feasibility Studies, Project Preparation and Design, Project Supervision	177,496,386	341,631,075
Rehabilitation of Civil Works	80,125,418	355,682,683
Purchase of Specialised Plant	-	23,014,822
Acquisition of Land	53,032,000	
<b>Total</b>	<b>2,580,739,731</b>	<b>4,136,713,393</b>

11A Bank Accounts

Account No	Currency	2015-2016 Kshs	2014-2015 Kshs
1000210017-Recurrent	KES	40,303,977	1,623,087
1000209909-Development	KES	41,604,291	534,710
1000212578-Deposit	KES	57,084,781	65,972,865
1000226714-NRM	KES		75,853
<b>Total</b>		<b>138,993,049</b>	<b>68,206,515</b>

**State Department Of Environment and Natural Resources  
Reports and Financial Statements  
For the year ended June 30, 2016**

**11B Cash in hand**

	<b>2015-2016</b>	<b>2014-2015</b>
	<b>Kshs</b>	<b>Kshs</b>
Cash in Hand – Held in domestic currency	329,198	10,645
<b>Total</b>	<b>329,198</b>	<b>10,645</b>

**Cash in hand should also be analysed as follows:**

	<b>2015-2016</b>	<b>2014-2015</b>
	<b>Kshs</b>	<b>Kshs</b>
Ministry Headquarters	329,198	10,645
<b>Total</b>	<b>329,198</b>	<b>10,645</b>

**12 ACCOUNTS RECEIVABLES**

<i>Description</i>	<b>2015-2016</b>	<b>2014-2015</b>
	<b>Kshs</b>	<b>Kshs</b>
Salary advances	409,123	1,164,990
Government Imprests	4,604,988	1,123,617
District Suspense	58,931,458	1,981,152
<b>Total</b>	<b>63,945,569</b>	<b>4,269,759</b>

**13 Accounts Payables**

	<b>2015-2016</b>	<b>2014-2015</b>
	<b>Kshs</b>	<b>Kshs</b>
clearance Accounts		1,400
Deposits	57,084,782	65,971,465
<b>TOTAL</b>	<b>57,084,782</b>	<b>65,972,865</b>

**14 Prior year adjustments**

	<b>2015-2016</b>	<b>2014-2015</b>
	<b>Kshs</b>	<b>Kshs</b>
Receivables	-	(830,921,927)
		-
		<b>(830,921,927)</b>

State Department Of Environment and Natural Resources  
Reports and Financial Statements  
For the year ended June 30, 2016

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**15 BALANCES BROUGHT FORWARD**

	<b>2015-2016</b>	<b>2014-2015</b>
	<b>Kshs</b>	<b>Kshs</b>
Bank accounts	68,206,515	68,019,509
Cash in hand	10,645	1,335,549
Receivables - Outstanding Imprests , Advances, Distret Suspense	4,269,759	844,000,041
Payables - Deposits	(65,972,865)	(65,528,250)
<b>Total</b>	<b>6,514,054</b>	<b>847,826,849</b>

**State Department Of Environment and Natural Resources**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016**

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Restatement Note to the financial Statements

	Note	2014-2015(Audited) Kshs	Adjustments	2014-2015(Restated) Kshs
<b>FINANCIAL ASSETS</b>				
Cash and Cash Equivalents				
Bank Balances	11A	2,233,650 -	65,972,865	68,206,515
Cash Balances	11B	10,645	-	10,645
<b>Total Cash And Cash Equivalents</b>		<b>2,244,295</b>		<b>68,217,160</b>
Accounts Receivables - Outstanding Imprest and Clearance Accounts				
	12	4,269,759	-	4,269,759
<b>TOTAL FINANCIAL ASSETS</b>		<b>6,514,054</b>		<b>72,486,919</b>
<b>LESS: FINANCIAL LIABILITIES</b>				
Accounts Payables - Deposits				
	13	65,972,865	-	65,972,865
<b>NET FINANCIAL ASSETS</b>	-	<b>59,458,811</b>		<b>6,514,054</b>
<b>REPRESENTED BY</b>				
Fund balance b/fwd				
	-	49,067,945 -	896,894,792	847,826,847
Surplus/Deficit for the year				
	-	10,390,866	- -	10,390,866
Prior year Adjustment				
	14		-	830,921,927
<b>NET FINANCIAL POSITION</b>	-	<b>59,458,811</b>		<b>6,514,054</b>

**State Department Of Environment and Natural Resources**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016**

**PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Accuracy and completeness of financial statements	Necessary amendments have been made	Head of Accounting Unit	Resolved	
	Budgetary control and performance	Under issue and unpredictable exchequer release	Head of accounting unit and Chief finance officer	Not Resolved	
	Pending bills	Exchequer under issue	Head of accounting unit and Chief finance office	Not resolved	
	Cash and Cash equivalent	Reconciling items have been reduced by posting items not in dispute	Head of accounting unit	resolved	
	Deposit Account	Deposit analysis has been provided to auditors	Head of accounting unit	Resolved	
	Acquisition of non-financial assets	Strict measures have been put in place to avoid this in future	Assistant director supplies chain management unit	Not resolved	
	Irregular procurements	Various	Assistant supply chain management unit	Not resolved	
	Loss of government vehicle	The loss was reported to kileleshwa police station. Awaiting police report	Secretary of administration	Not resolved	
	Renovation of staff houses in lodwar town	The contract was not drawn and awarded on the	Director meterological department	Not resolved	

**State Department Of Environment and Natural Resources  
 Reports and Financial Statements  
 For the year ended June 30, 2016**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		same day			
	Compensation to employees	Management still looking at the issues	Director human resources management and development	Not resolved	

  
 \_\_\_\_\_  
 Principal Secretary

  
 \_\_\_\_\_  
 Principal Accounts Controller

**State Department Of Environment and Natural Resources  
Reports and Financial Statements  
For the year ended June 30, 2016**

**ANNEX 1 - ANALYSIS OF PENDING BILLS**

Pending Bills For The Financial Year 2015/16			
Pending Bills-- Development			
P.V No	Name	Amounts(Kshs)	Department
7708	Super Six Building And Eng. Comp.	89,939.50	Environment
6760	One Source Company Limited	23,600.00	Environment
7658	Oracle Automation	1,125,500.00	Environment
4430	Agricultural Socirty Of Kenya	529,000.00	Environment
8234	The Attorney General	200,000.00	Environment
	Toyota Kenya Limited	12,615,000.00	Environment
7585	Magwayas Investment	6,016,000.00	Environment
7575	Lina Enterprises	6,110,000.00	Environment
7597	Mavicks Enterprises	8,880,000.00	Environment
7577	Imara Company	4,700,000.00	Environment
6700	Stanklean Commercial Ltd	898,832.00	Environment
6225	Beazy Biz Ventures	420,000.00	Environment
7811	Green Mountain Suppliers Ltd	5,640,000.00	Environment
6025	Office And Beyond Ltd	406,400.00	Environment
7080	Trackida General Suppliers Ltd	237,000.00	Environment
7078	Trackida General Suppliers Ltd	148,900.00	Environment
	Danmo Products Limited	1,796,492.00	Environment
835	Ms Online Technologies	3,945,496.35	Environment
7839	Tintoler Investment	1,316,280.00	Environment
7945	Lylob Enterprises		Environment

**State Department Of Environment and Natural Resources  
Reports and Financial Statements  
For the year ended June 30, 2016**

		274,050.00	
6119	Pong Agencies Ltd	389,605.00	Environment
7795	Africa Touch Safaris Ltd	94,500.00	Environment
6333	Africa Touch Safaris Ltd	1,103,520.00	Environment
	Mamus Limited	6,045,000.00	Environment
	Marcmain East Africa Ltd	5,580,000.00	Environment
	Gradet Enterprises Ltd	6,175,000.00	Environment
	Lawn Solution Company Ltd	4,700,000.00	Environment
	Moffan Investment	65,000.00	Nr
7656	Lexxy Technologies	22,500.00	Nr
2299	Naqsh Tarsim Milad Consulting Eng.	80,000,000.00	Rda
0894487/33	Titan Office Technologies`	464,000.00	Rda
		160,011,614.85	
	Name		
6759	Dianamut General Merchants	281,250.00	Environment
8197	Telkom Kenya Ltd	47,415.60	Environment
7159	Crownway Institute Ltd	80,000.00	Environment
7946	Kenya School Of Government Embu	904,800.00	Environment
7891	The Kenya Institute Of Mgt	54,000.00	Environment
	Global Tap General Merchant	301,500.00	Environment
6587	Public Trustee Kakamenga	102.00	Environment
8202	Kihbt-Kisii Training Centre	60,000.00	Environment
2781	Crystal Valuers Ltd	465,695.90	Environment

**State Department Of Environment and Natural Resources**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016**

7637	Mamus Limited	470,000.00	Environment
7934	Office And Beyond Ltd	212,000.00	Environment
5936	Cmc Motors Group Ltd	104,981.00	Environment
7337	Megtech Africa Ltd	246,600.00	Environment
6638	Umbai Agncies	1,860,872.00	Environment
436	Global Tap Merchants	496,650.00	Environment
483	Gajo Supplies	1,173,600.00	Environment
506	Kenya Institute Of Administration	226,200.00	Environment
781	Alimbek General Services	5,900,000.00	Environment
961	Jomi Enterprises	208,620.00	Environment
970	Nathkil Agencies	254,600.00	Environment
395	Embu Water And Sanitation Co.Ltd	33,809.00	Environment
	Komag Enterprises Limited	1,700,000.00	Environment
	Poolslide Cafeteria	31,250.00	Environment
966	Geneses Universal Service Ltd	143,000.00	Environment
653	Gotabor General Supplies Ltd	295,500.00	Environment
606	Telcom Kenya Limited	618,133.00	Environment
545	Aviators Resort Inn	57,500.00	Environment
	Wilchard Catering Services	22,950.00	Environment
475	Insatop International Company Ltd	100,000.00	Environment
967	Nairobi City Water And Sewerage&Co.	504,629.00	Environment
	Poolside Cafeteria Services	27,650.00	Environment
864	Dhanjal Investment		Environment

**State Department Of Environment and Natural Resources  
Reports and Financial Statements  
For the year ended June 30, 2016**

	Limited	324,750.00	
820	The Copy Cat Limited	52,200.00	Environment
291	Nairobi Water & Sewerage Co.Ltd	572,184.00	Environment
5	Communication Authority Of Kenya	195,000.00	Environment
873	Kenya Power & Lighting Co. Ltd	22,595.00	Environment
677	Kenya Power & Lighting Co.Ltd	77,511.00	Environment
684	Telkom Kenya Limited	219,480.00	Environment
619	Upmarket Supplies	499,800.00	Environment
837	Kenya Power & Lighting Co. Ltd	59,066.30	Environment
	Wilchard Catering Services	25,600.00	Environment
	Aviators Resort Inn	86,600.00	Environment
	Aviators Resort Inn	89,000.00	Environment
	Aviators Resort Inn	89,400.00	Environment
	Aviators Resort Inn	76,550.00	Environment
	Aviators Resort Inn	61,700.00	Environment
	Wilchard Catering Services	24,400.00	Environment
782	Oracle Automation	5,967,200.00	Environment
847	Metro Consultans & Gaurds Ltd	207,740.00	Environment
868	R H Devani	187,380.00	Environment
869	Rh Devani	249,840.00	Environment
575	Parseserti Ole Kuku	570,00.00	Environment
6133	Fly High Agency Ltd	75,560.00	Environment
8031	Kimutech Auto Services	16,600.00	Environment
	Fine Tops Enterprises	358,775.00	Rda

**State Department Of Environment and Natural Resources  
Reports and Financial Statements  
For the year ended June 30, 2016**

338	Papatuka Ltd	162,750.00	Rda
Totals Bill Recurrent		26,584,988.80	
Grand Totals	For Development And Recurrent	186,596,603.65	

**State Department Of Environment and Natural Resources  
Reports and Financial Statements  
For the year ended June 30, 2016**

**Annex 2; Deposits**

No	Payee	Dated	Amount
1	M/S Masosa Construction	11/8/2005	156,047.10
2	M/S Masosa Construction	27/7/2003	629,035.00
3	Goldrock International Enterprises	10/8/2011	3,788,914.10
4	Geolice Agencies	10/8/2011	147,259.70
5	Alfrenic Building Services	10/8/2011	100,036.40
6	Fastrack Investment Ltd	10/8/2011	1,612,268.90
7	Kimawili Electrical Services Ltd	10/8/2011	74,805.00
8	Gracan Constraction Ltd	10/8/2011	652,302.70
9	Platinum Enterprises	11/8/2011	524,180.00
10	Goldrock International Enterprises	7/8/2009	2,177,536.85
11	M/S B Uildmore Constraction	21/11/2012	2,668,641.20
12	Bosquire B.Systems Ltd	14/6/2012	2,000,000.00
13	M/S Ngarwe Building Constraction	13/6/2012	101,827.45
14	M/S Corfard Constructors	14/6/2012	172,055.70
15	Lesthan Enterprises	4/8/2011	212,000.00
16	M/S Fine Tops Enterprises	12/6/2012	1,919,009.50
17	Lethan Enteroprises	7/5/2013	300,000.00
18	Platinum Enterprises	25/3/2013	324,580.00
19	Platinum Enterprises	26/3/2013	182,050.00
20	Gracan Co.Ltd	8/6/2012	611,423.15
21	Conford Contractors	24/6/2013	143,904.70

**State Department Of Environment and Natural Resources  
Reports and Financial Statements  
For the year ended June 30, 2016**

22	Start Gen Contractor	12/2/2013	192,040.30
23	Start Gen Contractor	24/4/2013	180,000.00
24	Salmat Limited	7/5/2013	618,262.60
25	Tripple I&K Company	7/5/2013	476,000.00
26	Texco Limited	7/5/2013	191,707.40
27	Turkana Tec &Building	7/5/2013	323,312.90
28	Tripple I&K Company	7/5/2013	1,120,000.00
29	M/S Gracan Construction	7/5/2013	318,685.00
30	M/S Gracan Construction	12/2/2013	514,217.60
31	Harland Enterprises	7/4/2012	75,060.00
32	M/S Gracan Construction	12/2/2013	2,545,689.70
33	M/S Goldrock Construction	7/5/2010	1,500,000.00
34	M/S Nyoro Construction	15/6/04	457,160.00
35	Nyakio General Constuction	29/1/2003	200,000.15
36	M/S Ngarwe Building Construction	12/2/2013	56,221.80
37	Unep Programme	8/5/2013	4,189,500.00
38	Emb.Of Rep Of Germany	10/10/2012	4,806,000.00
39	Lvemp Project	28/2/2013	124,057.95
40	Federal Reservation Bank Of New York	19/10/2011	869,550.00
41	Global Environment Facility		2,745,300.00
42	Start General Contractors	17/12/2014	200,000.00
43	Fine Tops Enterprises	27/11/2014	1,323,811.30
44	Wamunyoro Investment	4/3/2015	

**State Department Of Environment and Natural Resources  
Reports and Financial Statements  
For the year ended June 30, 2016**

			1,900,000.00
45	M/S Davester Enterprises	4/6/2015	238,580.00
46	Stanklean Commercial	19/6/2015	898,832.40
47	Relay Fast Enterprises	19/6/2015	278,578.65
48	Wamunyor Investment	19/6/2015	2,300,000.00
49	Online Technologies	30/6/2015	714,000.00
50	Fine Tops Enterprises	30/6/2015	480,848.95
51	Tripple 1&K Company	30/6/2015	400,000.00
52	Supersix Building Construction	10/2/2016	89,939.50
53	Express Plumbers	24/3/2016	500,000.00
54	Platinum Enterprises	24/3/2016	331,900.00
55	Smart Frontiers	24/3/2016	643,771.00
56	Bewa Construction	24/6/2016	691,426.25
57	Triple I@K Company	24/6/2016	400,000.00
58	Onyx Construction	30/6/2016	878,300.00
59	Ryma (K) Ltd		840,000.00
60	Start Gen Contraction		594,200.00
61	Site Gen Contraction		1,180,000.00
62	Jagla Agencies		435,784.15
63	Lengo Africa Gen. Constraction		846,700.00
64	Geolice Agencies		766,891.60
65	Platinum Enterprises		150,575.20
	Total		57,084,782

**ANNEX 3- SUMMARY OF FIXED ASSET REGISTER ATTACHED**

