

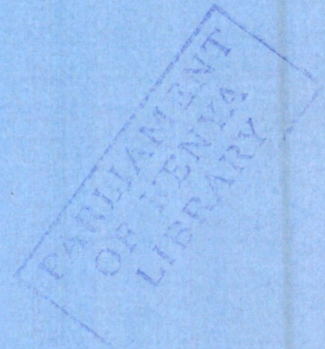
REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



THE NATIONAL ASSEMBLY PAPERS LAID		DAY: WED
DATE:	08 MAY 2019	
TABLED BY:	The Majority Whip Hon. Benjamin W.	
CLERK-AT-THE-TABLE:	Mr. Mado.	



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
STATE DEPARTMENT FOR NATURAL
RESOURCES (VOTE 1106)**

**FOR THE YEAR ENDED
30 JUNE 2018**



STATE DEPARTMENT FOR NATURAL RESOURCES
Reports and Financial Statements
For the year ended June 30, 2018

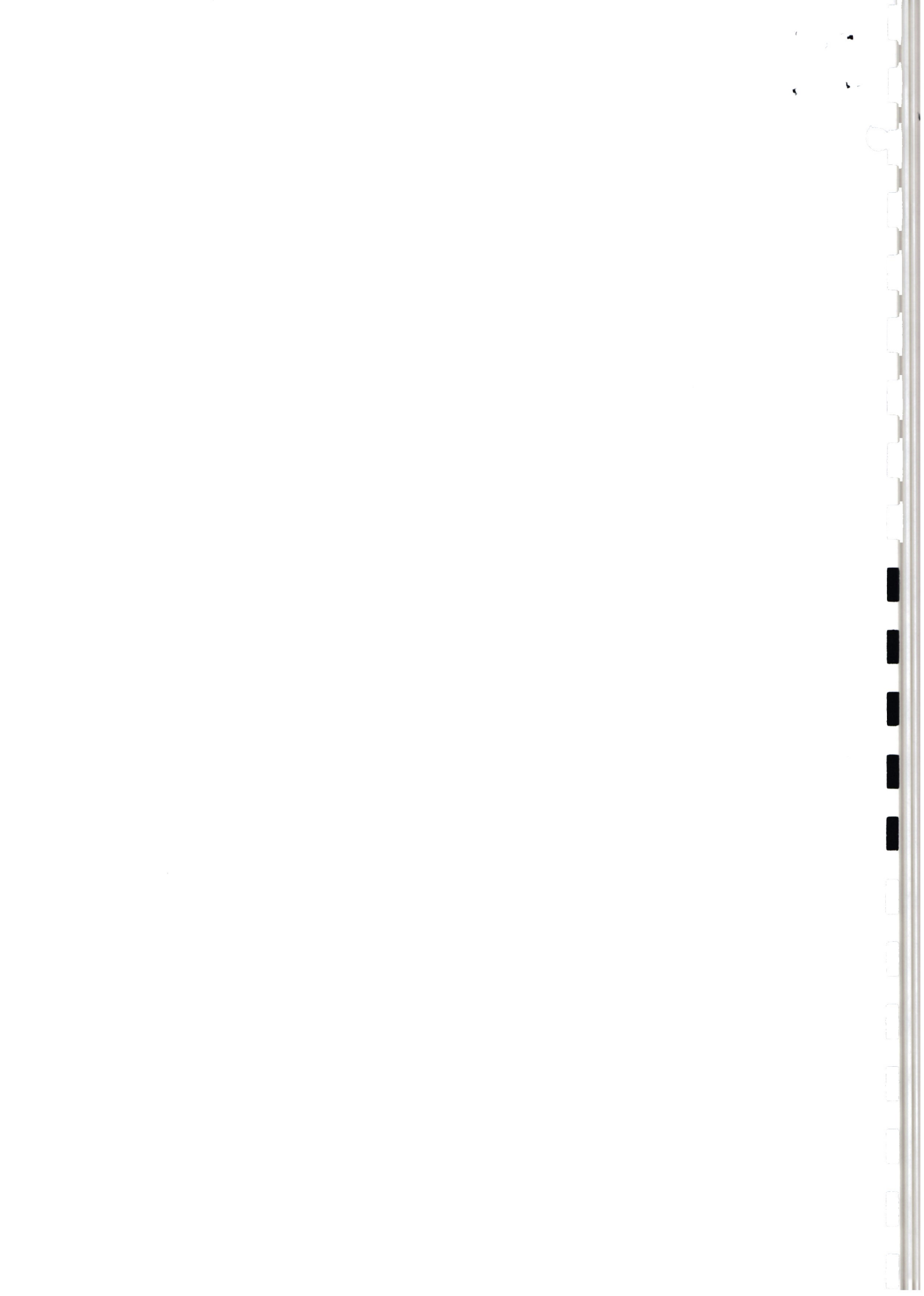


STATE DEPARTMENT FOR NATURAL RESOURCES

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018

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



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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Ministry of Environment and Natural Resources (MENR) established by Executive Order No. 1/2016 of May 2016. The Ministry is headed by the Cabinet Secretary for Environment and Natural Resources Prof. Judi Wakhungu who is responsible for the general policy and strategic direction of the State Department for Natural Resources.

It is mandated to undertake protection and conservation of environment and natural resources for sustainable development. In discharging its mandate, the Ministry is guided by key Government policies as envisioned in the Constitution of Kenya 2010, the Jubilee Manifesto and the Second Medium Term Plan - MTP II (2013-2017) of the Kenya Vision 2030. These key policies emphasizes the need for efficiency and better management in the utilization of natural resources to enable the Government achieve its strategic objectives of growth, productivity, efficiency and improvement in service delivery.

The State Departments under the Ministry of Environment and Natural Resources are outline below:

- (i)**The State Department for Natural Resources headed by Dr. Margaret Mwakima.
- (ii)**The State Department for Environment headed by Mr. Charles Sunkuli.

The accompanying financial statements constitute the financial statements for the State Department for Natural Resources.

The vision, mission, core values and core functions of the State Department for Natural Resources under the Ministry of Environment and Natural Resources include:

Vision

A clean, healthy, safe and sustainably managed environment and Natural resources.

Mission

To facilitate good governance in the protection, restoration, conservation, development and management of environment and natural resources for equitable and sustainable development.

Core values

The State Department draws its values from Constitution of Kenya Article 10, which details the national values and principles of governance, which include the following:

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- a. **Sustainable Development:** The State Department shall carry out Environmental Impact Assessments (EIAs) on all projects as well as ensure conflict resolution in natural resources.
- b. **Honesty and Integrity:** The State Department shall ascribe to high standards of personal ethics and integrity in the conduct of its affairs.
- c. **Human Dignity:** The State Department is committed to uphold reasonable standards for the citizens.
- d. **Teamwork and focus on results:** The State Department will relentlessly pursue timely attainment of targeted results at all levels through high level coordination, networking and collaboration with all staff.
- e. **Innovativeness:** The State Department is committed to innovativeness, creativeness, resourcefulness and focused planning and customer driven service delivery
- f. **Equity:** The State Department shall promote at all times the virtues of equity and fair play for equitable sustainable development
- g. **Participatory Approach:** The State Department is committed to consultations, joint and comprehensive partnership in all its undertakings.

Strategic Objectives

1. Provide policy, legal and institutional framework for sustainable management of environment, and natural resources
2. Protect and reclaim the environment in order to establish a durable and sustainable system of development and resilience to climate change
3. Create and coordinate partnerships and collaboration for resource mobilization, capacity development and devolvement necessary for sustainable management of environment and natural resources
4. Promote research, development and the adoption of appropriate technology for the management of environment and natural resources
5. To enhance conservation and management of forests, wildlife and Biodiversity resources for green growth and sustainable development

Mandate

- Protect Kenya's remaining forests and increase our forest cover to 10% over the next 20 years through a national planting scheme and by providing alternatives to over intensive farming and ending clearances For luxury development and industrial projects.

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- Progressively enhance forest/tree cover to more than 10% of land in every county through the integration of agro-forestry into mainstream extension programmes.
- Rehabilitate arid areas through afforestation, prevention of soil erosion and land reclamation.
- Protect the integrity of the national parks by recruiting more and better equipped park rangers as well as involving local communities in managing the parks.
- Establish a regional framework for carbon trading across the EAC and the wider African region and beyond.

(b) Key Management

The State Department's day to day management is under the following key organs:

Directorate of Wildlife Conservation

Directorate of Forest Conservation

Administration and Planning

Semi-Autonomous Government Agencies and Institutions

The State Department of Natural Resources provides policy guidance, capacity building, resource mobilization, coordination and oversight for the following statutory institutions:

i. Kenya Forest Service (KFS)

KFS is established under Section 7 of the Forest Conservation and Management Act, 2016 and is mandated under Section 8 of the Act to among others, to conserve, protect and manage all public forests.

ii. Kenya Forest Research Institute (KEFRI)

KEFRI is established under the Science, Technology and Innovation Act, 2013 as the agency in forestry research and development.

iii. Kenya Wildlife Service (KWS)

KWS is established under Section 6(1) of the Wildlife Conservation and Management Act No. 47 of 2013. Under Section 7 of the Act the Service is mandated among others, to conserve and manage national parks, wildlife conservation areas, and sanctuaries under its jurisdiction and to provide security for wildlife and visitors in national parks, wildlife conservation areas and sanctuaries

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iv. Kenya Water Towers Agency (KWTA)

KWTA was established vide Legal Notice No. 27 of 20th April, 2012. The Agency's mandate is to coordinate and oversee the protection, rehabilitation, conservation and sustainable

Management of water towers. The Agency provides a pivotal framework for the long-term sustainable conservation and management of all critical, state of water towers.

(c) Fiduciary Management

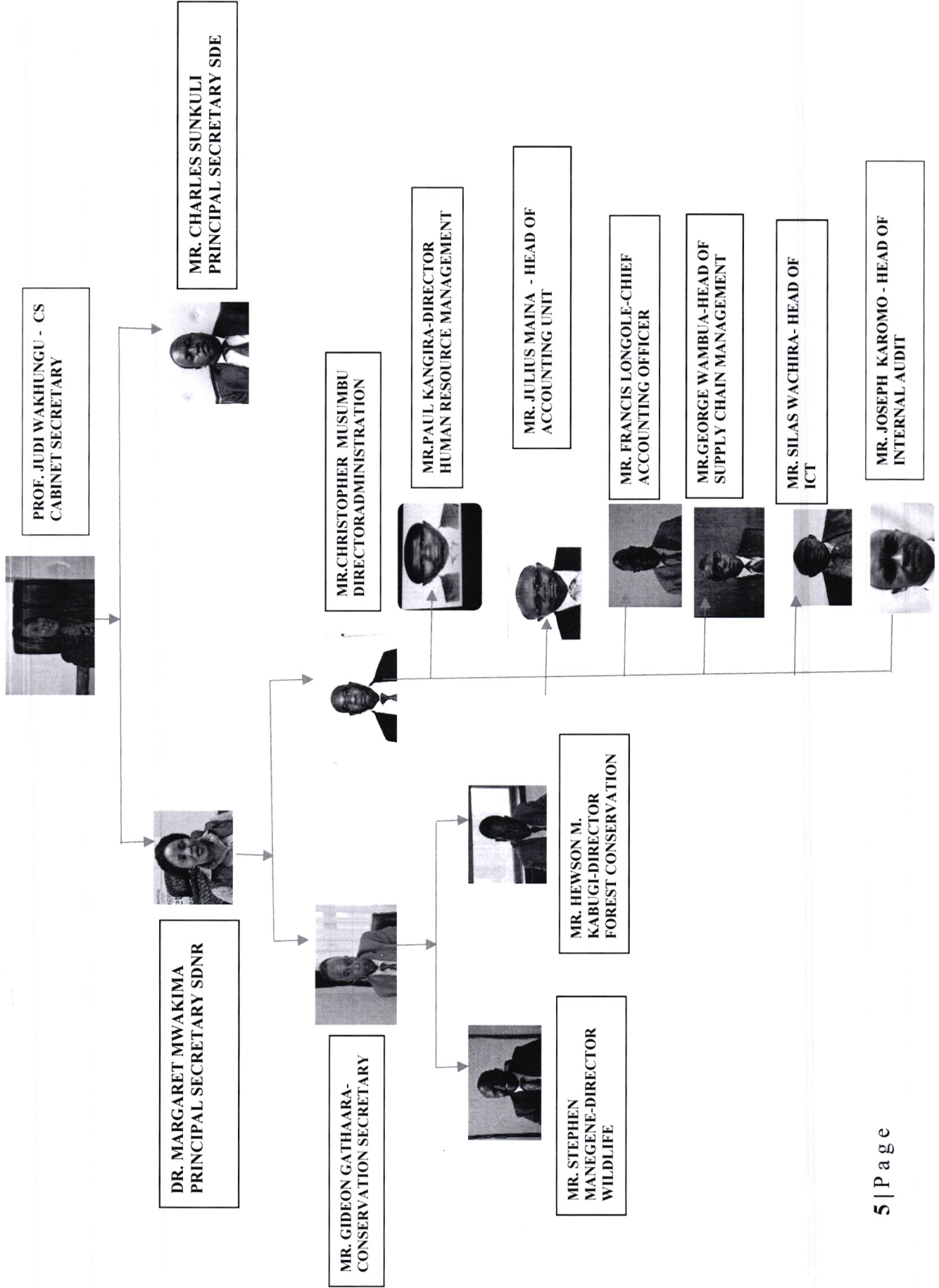
The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1	Cabinet Secretary, Ministry of Environment and Natural Resources	Prof. Judi Wakhungu,CGH
2	Principal Secretary, State Department for Natural Resources	Dr. Margaret Mwakima, CBS
3	Conservation Secretary	Mr. Gideon Gathaara
4	Director of Administration	Mr. Christopher Musumbu, OGW
5	Director Forest Conservation	Mr. Hewson Kabugi
6	Director Wildlife Conservation	Mr. Stephen Manegene
8	Head of Accounting Unit	Mr. Julius Maina
9	Chief Finance Officer	Mr. Oling'a John Francis Long'ole
10	Head of Supply Chain Management Services	Mr. George Wambua
11	Principal Internal Auditor	Mr. Joseph Karomo
12	Head of Human Resource Management	Mr. Paul K'Angira
13	Director Planning	Mr. Erick Namwalo
14	Head of ICT	Mr. Silas Wachira

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Prof. Wakhungu assumed the position of the Cabinet Secretary, Ministry of Environment, Water and Natural Resources of the Republic of Kenya in June 2013 to-date. Prior to her appointment as Cabinet Secretary, Prof. Wakhungu was the Executive Director of the African Centre for Technology Studies (ACTS) in Nairobi, Kenya from 2002 to 2013. Prof. Wakhungu's public policy and research interests include science, technology, and innovation; agriculture and food security; biodiversity and natural resource management; energy and water security; and gender issues in science and technology. She has published widely in these fields. Prof. Wakhungu holds a Bachelor's degree in Geology from St. Lawrence University, New York, a Master's degree in Petroleum Geology from Acadia University, Canada, and a PhD in Energy Resources Management from Pennsylvania State University.



Dr. Margaret Wawuda Mwakima assumed the position of Principal Secretary, State Department of Natural Resource in 2015 following a reshuffle of Principal Secretaries by His Excellency President Uhuru Kenyatta. Prior to this, she was the Managing Director/CEO of Afrosayari Ltd. as well as the Vice Chairperson of Kenya Wildlife Service (KWS) Board of Trustees, Board Member of Ecotourism Kenya. She holds a Ph.D. with a written thesis on "*Determinants of the Biodiversity Conservation - Tourism Nexus in the Buffer Zone of Amboseli Biosphere Reserve, Kenya.*" Dr. Mwakima also holds a Masters Degree in Environmental Science with a major in Sustainable Natural Resources Management and a Bachelor of Education (Science) Degree in Botany and Zoology all from Kenyatta University.



Mr Gideon Gathaara assumed the position Conservation Secretary in the year 2009. He is in charge of technical services in Forest and Wildlife Sectors. He holds a MSc. Natural Resources from Texas A&I University, USA.



Mr. Christopher K. Musumbu assumed the position of Director Administration in the State Department of Natural Resources in March 2017; He has previously worked in the same position at the Ministry of The East African Community and has worked in the Public Service for the past 29 years. He is in charge of coordination of administrative functions in State Department of Natural Resources including; finance, procurement, accounts, HRM&D, ICT, transport and telephone exchange. He holds a MSc. in Conflict Resolution and Management and a Bachelors Degree in Government and Religion.



Mr. Manegene assumed the position of Director Wildlife Conservation in November 2009. He holds a Master's Degree in Resource Management from the University of Edinburg United Kingdom.

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Mr. Kabugi is the Director, Forest Conservation. He holds a Bachelor's degree in forestry from the University of Nairobi and a Master's degree in water shed management from the University of Banquet State, Philipines.Mr. Kabugi further holds a Diploma in environmental management from the Galilee College in Israel.



Mr. Julius Maina is the Head of Accounting Unit. He is a Certified Public Accountant of Kenya (CPA) K



Mr. Oling'a John assumed the position of Senior Chief Finance Officer in charge of management of the ministerial budget, compilation of MTEF, implementation of budgetary proposals and chair of budget implementation committee/ alternate to the PS at the State Department for Natural Resources. He holds MSc. Public Finance and B.A. Administration and Economics from the University of Nairobi.



Mr. Wambua is the Head Supply Chain Management Services. He holds MSc. Procurement & Contract Management from JKUAT and B.A. Business Administration in Procurement & Supply Management from St. Paul's University.



Mr. Joseph Karomo is the Head of Internal Audit. He is a Certified Public Accountant of Kenya (CPA) K .



Mr. K'Angira is currently the Director, Human Resource Management and Development in the State Department. He holds a Master's degree in Business Administration and Bachelor's degree in Law (LLB) both from the University of Nairobi. He also holds a Diploma in Law from the Kenya School of Law and is an Advocate of the High Court of Kenya.



Wachira is the head of ICT Department. He holds a Master's degree in public policy and management from Strathmore University, Master's in science information systems from the University of Nairobi.Mr. Wachira also holds Bachelor degree in mathematics and computer science from Jomo Kenyatta University.

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(d) Fiduciary Oversight Arrangements

- i. Budget Implementation Committee
- ii. Audit Committee
- iii. Human Resource Management Advisory Committee
- iv. Training Committee

i. Audit Committee Activities

- Reviewing and monitoring the external auditor(s) independence and objectively, taking into consideration relevant professional and regulatory requirements. In fulfilling its duties, the committee reviews with the external auditors, the scope of their audit plan, system of internal audit reports, assistance given by management and its staff to the auditors and any findings and actions to be taken.
- Reviewing any related party transactions that may arise within the entity.
- Reviewing communication between external auditors and management including responses on audit queries on the annual financial statement raised by the Auditor General.
- Following up on recommendations of the Parliamentary Accounts Committee (PAC).

Budget Implementation Committee Activities

This is the committee charged with the responsibility of implementation of the state department(s) budget and its prudent management.

1.	Mr. Christopher Musumbu	-	Chairman
2.	Dr. Erastus Kanga	-	Member
3.	Mr. Hewson Kabugi	-	Member
4.	Mr. Julius Maina	-	Member
5.	Mr. Alfred Ong'ong'e	-	Member
6.	Ms Brenda Molonko	-	Member
7.	Mr. Kenneth Kemama	-	Member
8.	Mr. George Wambua	-	Member
9.	Mr. Silas Wachira	-	Member
10.	Mr. Joseph Karomo	-	Member
11.	Mr. Julius Maina	-	Secretary

The duties of the committee include:-

- To review and consider the cash flow plans;
- To review the utilization of the cash limits and consider any changes as may be required;

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Human Resource Management Advisory Committee Members

This committee is composed of the following members drawn from various sectors of the economy with broad business knowledge:

- | | | | |
|-----|---------------------------|-------------|-------------------------|
| 1. | Margaret Mwakima, PhD PS- | Chairperson | |
| 2. | Gideon N. Gathaara, | | - Member |
| 3. | Christopher Musumbu, OGW | | - Alternate Chairperson |
| 4. | Paul W.C. K'Angira | | - Secretary |
| 5. | Stephen Manegene | | - Member |
| 6. | Hewson Kabugi, MBS | | - Member |
| 7. | John Oling'a | | - Member |
| 8. | Erick Namwalo | | - Member |
| 9. | Julius Maina | | - Member |
| 10. | Silas Wachira | | - Member |
| 11. | George Wambua | | - Member |

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Training Committee Members

The committee is composed of the following members drawn from various sectors of the economy with broad business knowledge:-

1. Margaret Mwakima PhD., CBS - Chairperson
2. Gideon N. Gathaara, - Member
3. Christopher Musumbu, OGW - Alternate Chairperson
4. Paul W.C. K'Angira - Secretary
5. Stephen Manegene - Member
6. Hewson Kabugi, MBS - Member
7. John Oling' a - Member
8. Erick Namwalo - Member
9. Julius Maina - Member
10. Silas Wachira - Member
11. George Wambua - Member

This is the committee charged with the responsibility of Human Resource Development needs;

Their duties include:-

- Overall coordination of the training functions in the State Department;
- Review and implementation of the State Department Training Plan;
- Review of induction of newly appointed officers and activities around long term training;

S/No.	Name of Officer	Date	Training Committee meetings				Total Attendance	
			Date	Date	Date	Date		
		27/07/2017	23/08/2017	26/09/2017	06/12/2017	23/05/2018	07/06/2018	
1.	Margaret Mwakima PhD, CBS	x	x	x	x	x	x	0
2.	Gideon N. Gathaara	x	x	x	x	x	x	0
3.	Christopher Musumbu, OGW	✓	✓	✓	✓	✓	✓	6
4.	Paul W.C. K'Angira	✓	✓	✓	✓	✓	✓	6
5.	Stephen Manegene	✓	✓	✓	✓	✓	0	5

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6.	Hewson Kabugi, MBS	✓	✓	✓	✓	✓	✓	✓	x	5
7.	Julius Maina	✓	✓	x	x	✓	✓	✓	✓	4
8.	John Oling'a	x	✓	✓	✓	✓	✓	✓	✓	5
9.	Erick Namwalo	x	✓	x	x	✓	✓	x	x	2
10.	Silas Wachira	x	✓	x	x	✓	✓	x	x	2
11.	George Wambua	✓	✓	✓	✓	✓	✓	✓	✓	6

✓ Attended

x absent with apology

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(e) Entity Headquarters

State Department for Natural Resources
NSSF Building Bishop Rd Block A
P.O. Box 30126-00100
NAIROBI, KENYA

(f) Entity Contacts

State Department for Natural Resources
Telephone: (254) 20-27247225/2724646
E-mail: psnaturalresources@environment.go.ke
Website: www.environment.go.ke

(g) Entity Bankers

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

(h) Independent Auditors

Auditor General
Office of The Auditor-General
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

II. COMMENTARY BY THE CABINET SECRETARY



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

During the period under review, a total of 84 ranger houses were constructed and 80 houses rehabilitated. These were constructed in Lake Nakuru, Tsavos, Manyani, Aberdares Mt. Kenya and Chyulu, while rehabilitation was done in Meru, Nakuru, Nairobi, Hola, Ijara and Kisite.

For the period under review, a total of 102 km of fences were constructed and 5,050 km maintained against 200 km and 5,250 km target respectively. All the corridors have been identified and mapped, while response to conflict cases stands at 98 % of all reported cases and 7 water pans constructed.

Digital radio system was installed in 3 conservation areas namely Southern, Tsavo and Central rift against a target of 3. There is however need to upgrade the rest of the country to be on the same status for proper communication in all conservation areas.

Conservation of Biodiversity of Northern Kenya (AFD), aims at enhancing Conservation of Biodiversity in Northern Kenya Ecosystem through sustainable use of natural resources while at the same time optimizing ecological service functions. This has been done through development of Pilot guidelines for implementation of Wildlife policy on which joint implementation MOUs between KWS, KFS and County government has been prepared. The project has enabled construction of 34 staff houses, 17km of fences, one check dam and tourist accommodation facilities. The Gazettement of Marsabit Park still on process while works on a new museum and education center are ongoing. Some delay in the construction projects were observed during the elections period and the rainy season thus the delays meeting the targets but all the targets are on course

Kenya Wildlife Conservation project-USAID, aimed at supporting KWS in protecting and conserving wildlife, maintaining integrity of natural ecosystems and biodiversity inside and outside its Protected Area System. The achievement over the period under review include development of two management plans for Kora and Sibiloi National Parks which are at an advanced stage of finalization; building institutional capacity of KWS staff for better conservation of wildlife in terms of training of 400 staff in digital Communication, on basic car and luggage screening and Finance for Non Finance staff. In addition, vehicles and ICT equipment were acquired.

Construction of Laikipia Security fence commenced in 2017/2018 with the procurement of fencing materials. To-date a total of 17 KM out of 53 km planned in 2016/2017 has been constructed so far. The works are ongoing and it is expected to be completed by December 2018.

Wildlife Clubs of Kenya Awareness programs, carried out 350 awareness programs. 9 learning resource centers construction and renovations ongoing in Kisumu, Nakuru, Meru and Mombasa against a target of 5. The project completion stage is 31%. These were not completed because of budget cuts.

The State department for Wildlife finalized a strategy for securing Wildlife Corridors and Dispersal areas and finalized the National Wildlife Strategy during the period under review.

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The state department also did new partitioning of 21st, 20th floor and 15th Floors of NSSF building, flooring, purchase of office furniture and equipment and ICT hard and software. The purpose was to provide adequate office space and facilities for State department for Wildlife to improve performance, quality and effectiveness of staff. The target was met, that is refurbishment of all the 3 floors was completed.

Prof. Judi Wakhungu
Cabinet Secretary,
Ministry of Environment and Natural Resources

BUDGET ALLOCATION

In the financial year 2017/2018 the State Department for Natural Resources had a gross budget of Kshs. 16,665,833,305.00 which was made up of Kshs.13,451,762,315.00 and Kshs.3,214,070,990.00 for Recurrent and Development vote respectively.

BUDGET ALLOCATION PROGRAMMES

The State Department for Natural Resources had one programme during the financial i.e Natural Resources Management and Protection. The overall goal of the Programme is to ensure sustainable development in a clean and secure environment. The sub-sector's mandate is Forestry Development Policy Management; Conservation and Protection of National Wildlife; Development of Forests, Re-forestation and Agro-forestry; Restoration of Strategic Water Towers; Kenya Forestry Services; Wildlife Conservation and Protection Policy; Conservation and Protection of National Wildlife Heritage; Collaboration with Wildlife Clubs of Kenya; and Marine Parks.

Total of **Ksh. 16.6 Billion** was spent under the following sub-programmes;

- a) Forests Conservation and Management
- b) Forestry Research and Development
- c) Policy and Governance in Natural Resource Management
- d) National Resource Management
- e) Wildlife Security, National Parks and Reserves Management

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Receipts:

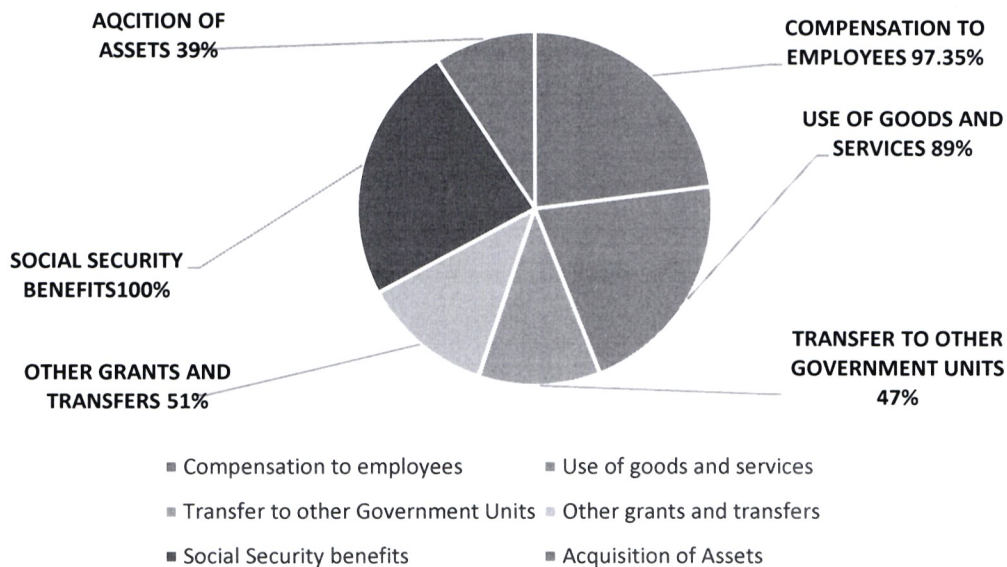
The bulk of our receipts was exchequer from the National Treasury Constituting 99.9% of the total receipts:, Kshs.8,125,269,803.00 was received from exchequer while Kshs.10,000,000.00 was from Kenya Wildlife Service.

Payments

Total payments for the financial year amounted to Kshs.8, 107,745,502.00. The breakdown of the payments is shown below:-

	Final Approved Budget	Actual expenditure	Budget utilization Difference	% of Utilization
Compensation to employees	138,300,000.00	134,635,880.15	3,664,120.00	97.35%
Use of goods and services	410,323,547.00	364,574,678.00	45,748,869.00	89%
Subsidies	0	0	0	0.00%
Transfers to other Government Units	16,043,470,990.00	7,572,629,070.00	8,470,841,920.00	47%
Other grants and transfers	27,487,398.00	14,019,846.20	13,467,552.00	51%
Social Security benefits	6,700,000.00	6,700,000.00	0	100%
Acquisition of Assets	39,551,370.00	15,249,827.00	24,301,543.00	39%
Finance costs, including loan interest	0	0	0	0%
Payment of principal on borrowings	0	0	0	0%
Other expenses	0	0	0	0%
Total Kshs.	16,665,833,305.00	8,107,809,301.90	8,558,024,004.00	49%

PERCENTAGE OF UTILIZATION CHART



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Key Achievements

The wildlife sector enhanced capacity for sustainable wildlife conservation through establishment and strengthening of specialized units, equipping and strategic deployment of security teams, heightened ground security patrols, undertaking a total of 91,908 ground patrols. 176-field intelligence operations were conducted against a target of 126. In addition, 6,800 hours of aerial patrols were undertaken attributable to major aircraft repairs being undertaken over the same period. 86.9% reduction in elephant poaching and 89.3% reduction in rhino poaching for the key endangered species i.e Rhinos and elephants computed from the highest poaching year 2012/13 as the base year. When compared to 2017/18 a 62.7% reduction in elephant poaching and 50% reduction in rhino poaching was registered.

During the period under review, a total of 84 ranger houses were constructed and 80 houses rehabilitated. These were constructed in Lake Nakuru, Tsavos, Manyani, Aberdares Mt. Kenya and Chyulu, while rehabilitation was done in Meru, Nakuru, Nairobi, Hola, Ijara and Kisite.

For the period under review, a total of 102 km of fences were constructed and 5,050 km maintained against 200 km and 5,250 km target respectively. All the corridors have been identified and mapped, while response to conflict cases stands at 98 % of all reported cases and 7 water pans constructed.

In the FY 2015/16, 15KM of roads were rehabilitated and 890KM of roads maintained against targets of 60KM and 2500KM respectively. The targets were not achieved due to 50% budget cuts yet the contracts had already been awarded.

Digital radio system was installed in 3 conservation areas namely Southern, Tsavo and Central rift against a target of 3. There is however need to upgrade the rest of the country to be on the same status for proper communication in all conservation areas.

Conservation of Biodiversity of Northern Kenya (AFD), aims at enhancing Conservation of Biodiversity in Northern Kenya Ecosystem through sustainable use of natural resources while at the same time optimizing ecological service functions. This has been done through development of Pilot guidelines for implementation of Wildlife policy on which joint implementation MOUs between KWS, KFS and County government has been prepared. The project has enabled construction of 34 staff houses, 17km of fences, one check dam and tourist accommodation facilities. The Gazettement of Marsabit Park still on process while works on a new museum and education center are ongoing. Some delay in the construction projects were observed during the elections period and the rainy season thus the delays meeting the targets but all the targets are on course

Kenya Wildlife Conservation project-USAID, aimed at supporting KWS in protecting and conserving wildlife, maintaining integrity of natural ecosystems and biodiversity inside and outside its Protected Area System. The achievement over the period under review include development of two management plans for Kora and Sibiloi National Parks which are at an advanced stage of finalization; building institutional capacity of KWS staff for better conservation of wildlife in terms of training of 400 staff in digital Communication, on basic car and luggage screening and Finance for Non Finance staff. In addition, vehicles and ICT equipment were acquired.

Construction of Laikipia Security fence commenced in 2017/2018 with the procurement of fencing materials. To-date a total of 17 KM out of 53 km planned in 2016/2017 has been constructed so far. The works are ongoing and it is expected to be completed by December 2018.

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Wildlife Clubs of Kenya Awareness programs, carried out 350 awareness programs. 9 learning resource centers construction and renovations ongoing in Kisumu, Nakuru, Meru and Mombasa against a target of 5. The project completion stage is 31%. These were not completed because of budget cuts.

The State department for Wildlife finalized a strategy for securing Wildlife Corridors and Dispersal areas and finalized the National Wildlife Strategy during the period under review.

The state department also did new partitioning of 21st, 20th floor and 15thFloors of NSSF building, flooring, purchase of office furniture and equipment and ICT hard and software. The purpose was to provide adequate office space and facilities for State department for Wildlife to improve performance, quality and effectiveness of staff. The target was met, that is refurbishment of all the 3 floors was completed.



Emerging Issues

The emerging issues affecting the State Department for Natural Resources include;

- 1) Rapid infrastructure development and other competing land uses that encroach into environmentally sensitive habitats and protected areas without corresponding biodiversity offsets.
- 2) Lack of a comprehensive framework for natural resources conservation and management between the National and County Governments.
- 3) The declaration of Tsavo area as a disease free zone has attracted commercial herders into the area who bring livestock for fattening leading to range degradation as well as increased poaching incidences (also crosscutting).
- 4) Inadequate budget provision, revision/cuts, and delay in disbursement of funds.
- 5) Transitional issues: Following the transfer of some functions from the Sub-Sector to county governments; the status of the projects that were being undertaken by the national government and were at various stages of completion remains unknown as there are no clear guidelines on proper handover and source of funding.
- 6) Use of Information Communication Technology (ICT) presents the sub sector with opportunities for development and expansion in the management of NR sub-Sector through resource tracking,

STATE DEPARTMENT FOR NATURAL RESOURCES
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resource mapping, monitoring and research. However, there are emerging challenges of cybercrime and frequent changes in technology that requires resources.

Challenges

1. Frequency of drought occurrence has increased and during these periods out-breaks of wild fires occur in forests especially Mt. Kenya, Aberdares, and Chyulu.
2. Terrorism is rightly seen as a major factor that undermines world peace and stability. Although terrorism is not likely to be the only contributor to the destabilization of a country, it can have a great impact by draining public resources including natural resources.
3. Advanced technology accessibility to poachers, and associate cyber-crime increases in illegal trade.
4. Natural resource use conflicts.
5. Poaching and Illegal trade in wild flora and fauna.
6. Inadequate Legal and policy framework
7. Inadequate funding to the sector
8. Climate change
9. Effects of climate change and associated extreme weather events threaten sustainable development and impacts negatively on the sub sector.
10. Human/ Wildlife conflict and Rising Compensation claims of wild life

Recommendation

In order to achieve the objectives of the State Department, the following interventions are recommended:

i. Policy and legislative framework:

The sub sector will continue to develop, review the policy and legal/ institutional frameworks. However, there is need to fast track enactment of new laws and approval of policies which takes long thus hindering delivery of services in the sub-Sector.

ii. Timely release of funds (GoK/Donor):

Delayed and unpredictable release of funds has affected the implementation of programmes and activities as planned.

There is need to enter into favourable terms with the development partners who are compatible for faster implementation of projects and also the need to put in place mechanism for timely release and utilization of donor funds.

iii. Resource mobilization

The State Department relies heavily on Government funding to achieve her objectives. Currently the funding level is less than 50% of the total requirements. This has impacted negatively in delivery of services in key specialized departments and agencies. This calls for resource mobilization strategies and partnering with donors, public and private partnerships in order to implement fully her mandate. This therefore recommends increased funding from the government to improve service delivery.

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iv. Capacity Building

The departments and agencies within the sub sector have inadequate capacity leading to lower productivity and inefficient service delivery. Generally, the average age of technical employees within the sub sector is above 50 years. This leads to the problem of succession planning, and institutional memories. The equipment of the sub sector requires upgrading. There is need to build capacity in the sub sector to enable the sub sector discharge its mandate effectively.

v. Poaching and terrorism

Given the linkage between current poaching menace and funding of terrorism activities there is need to strengthen the ranger force to cope with these emerging challenges.

vi. Promotion of nature based enterprises:

This includes commercialization of tree growing and bamboo, promotion of green economy, domestication of wild animals and bee keeping. These activities will improve the livelihoods of people living adjacent to natural resources thereby conserving them. strategies to address resource benefit sharing need to be developed and implemented.

vii. Increasing forest cover and rehabilitation of degraded areas:

The constitution and Vision 2030 have set a forest cover target of 10%. Currently the tree cover is estimated at 7.2%. This calls for concerted efforts and investment in tree planting, protection of gazetted forests and parks. There is need to increase the forest cover and rehabilitate degraded areas to mitigate on climate change.

viii. Prudent utilization of resources in the sub sector

There are many players in the sub sector, which are currently duplicating resources and efforts thus missing opportunities to tap on synergy. There is need to co-ordinate roles and activities in the sub sector for harmonization of efforts and optimal use of available resources. There should be proper monitoring and evaluation of activities and linking them to the budget cycle.

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III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2013 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 for Natural Resources* is responsible for the preparation and presentation of the State Department's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the State Department ; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

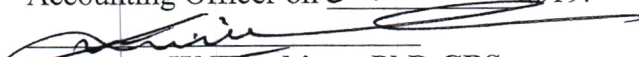
The Accounting Officer in charge of the *State Department for Natural Resources* accepts responsibility for the State Department's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS).

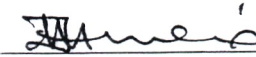
The Accounting Officer is of the opinion that the *State Department for Natural Resources'* financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2018, and of the entity's financial position as at that date. The Accounting Officer charge of the *State Department for Natural Resources* further confirms the completeness of the accounting records maintained for the *State Department for Natural Resources*, 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.

The Accounting Officer in charge of the *State Department for 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 entity'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 State Department for Natural Resources 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 *State Department for Natural Resources'* financial statements were approved and signed by the Accounting Officer on 22nd Feb 2019.


Margaret W. Mwakima, PhD, CBS
Principal Secretary


Julius M. Maina
Principal Accounts Controller
ICPAK Member Number: 13950



REPUBLIC OF KENYA

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



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR NATURAL RESOURCES (VOTE 1106) FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of State Department for Natural Resources (Vote 1106) set out on pages 25 to 46 which comprise the statement of assets and liabilities as at 30 June 2018 and the statement of receipts and payments, statement of cash flows and summary statement of appropriation: recurrent and development combined, together with a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution 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 State Department of Natural Resources as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012 of the Laws of Kenya.

Basis for Qualified Opinion

1. Pending Bills

The pending bills amounting to Kshs.33,812,512 chargeable to both recurrent and development votes for the State Department as at 30 June 2018 were not paid in the financial year 2017/2018 but were instead carried forward to 2018/2019. Had those bills been paid and expenditure charged, the statement of receipts and payments will reflect a deficit of Kshs.16,352,011. Failure to settle the bills during the year to which they relate distorts the financial statements for that year and adversely affect the provisions for the subsequent year to which they have to be charged.

2. Inadequate Support of Fund Balance

Fund balance reported under note 11 to the financial statements consisted of bank accounts, cash in hand, receivables- outstanding imprests and deposits as detailed below:

Report of the Auditor-General on the Financial Statements of State Department of Natural Resources (Vote 1106) for the year ended 30 June 2018

Description	2017/18	2016/17
	Kshs	Kshs
Bank accounts	11,926,625	0
Cash in hand	15,650	0
Receivables-O/S imprests	2,000,800	0
Payables- Deposits	(1,497,888)	0
Total	12,445,187	0

However, bank statements were not provided for audit verification and it was therefore not possible to verify the bank balances. In effect, the accuracy of cash and the final fund balance could not be ascertained.

3. Irregular Prior Year Adjustment

Reported in the notes to financial statements (note 12) are prior year adjustments amounting to Kshs.3,355,800. However, documents in support of the adjustments were not availed for the audit verification. In the absence of documentary evidence, the adjustments are then considered to be irregular.

4. Accuracy, Completeness and Presentation of the Financial Statements

4.1 Unexplained Variances of Transfers to Government Agencies

As reported in 2016/2017 under Note 5 to the financial statements, the breakdown from self-reporting entities reflected Kshs.6,475,880,054 while statement of receipts and payments reported a balance of Kshs.6,478,832,768 hence resulting in an unexplained variance of Kshs.2,952,714. The variance remains unexplained.

4.2 Variance Between Notes to the Financial Statements and Notes as Per IFMIS Report

As reported in the prior year, it is a requirement that all the figures in the financial statements be expounded by way of notes. The financial statements and notes to the financial statements were presented together by 30 September 2017. However, it was noted that two sets of notes in support of financial statements had variances as analyzed below:

Item	Note as per Financial Statements	Notes as per IFMIS/IFMIS Statements	Amounts per Notes in the Financial Statements Kshs.	Amount as per IFMIS Notes Attached in the Financial Statements Kshs.	Variance Kshs.
Use of goods and Services	4	13	402,337,553	404,416,175	(2,078,622)
Accounts Receivable – Outstanding Imprests	9	23	2,000,800	2,998,045	(997,245)
Accounts Payable	10	24	1,497,888	3,996,960,185	(3,995,462,297)

Bank Balances	8A	22A	11,926,625	3,973,398,962	(3,961,472,337)
Cash in Hand	8B	22B	15,650	7,821,008,767	(7,820,993,117)
Surplus for the Year			12,445,186	10,366,565	2,078,621

The reason given for these variances was that the State Department's cashbook is still being reconciled in co-ordination with the Treasury's IFMIS team and the Financial Reporting Unit.

4.3 Undisclosed Prior Year Comparative Figures

As previously reported, comparative figures for 2015/2016 for the then Ministry for Environment and Natural Resources were not separated or re-stated to reflect what belongs to the State Department for Environment and State Department for Natural Resources. Hence, the State Department for Natural Resources reported nil balances in the comparative year 2015/2016. In view of the foregoing, the accuracy, completeness and presentation of the financial statements as at 30 June 2017 could not be ascertained.

In view of the above, the accuracy, completeness and presentation of the financial statements as at 30 June 2018 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of State Department for Natural Resources in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.

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

Emphasis of Matter

1. Unverifiable Value of Assets

Annex 2 to the financial statements is summary of fixed assets totaling Kshs.297,357,773. However, audit review of the State Department's records revealed that accurate data for the assets of are not available since after the reorganization of the Ministry of Environment and Natural Resources to have two separate entities (Ministry for Environment and State Department for Natural Resources) the vesting of the assets to the two entities remains outstanding. In the circumstances, it was not possible to reliably confirm the value of the assets relating to the State Department and the vesting of the same hence exposing the State Department to risk of loss of its assets.

2. Projected Compensation Claims on Human Wildlife Conflict

Note 13.2 to the financial statements indicates that there are a total of 15,382 cases pending on human wildlife conflict for the years 2014 to 2017. It is estimated that the

claims for compensation to the affected individuals amounts to Kshs.6,969,515,712. The original budget for compensation in the year under review was Kshs.630 million but was later reduced to Kshs.153 million through a supplementary budget. However, the State Department received Kshs.150 million which was transferred to KWS to compensate the claimants. The reported cases for the period 2014-2017 are as listed below;

Category	No. of Cases	Claims Awarded Kshs
Human death	791	3,358,986,478
Human injuries	5,929	2,177,916,330
Predation	2,834	873,435,593
Crop damage	5,794	555,037,249
Property damage	34	4,140,062
Total	15,382	6,969,515,712

However, 2018 cases are still being evaluated. In the circumstances, the Department is at a high risk of facing litigation claims due to the pending compensation claims.

The estimated claims if included in the statement of assets and liabilities would have highly inflated the financial position of accounts payable by almost Kshs.7 billion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the State Department's financial statements. These matters were addressed in the context of the audit of the State Department's financial statements and in forming my opinion thereon, and I do not provide a separate opinion on these matters. For each matter below, a description of how the audit addressed the matter is provided in that context. I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit section of the report, including in relation to these matters. Accordingly, the audit included the performance of procedures designed to respond to the assessment of the risks of material misstatement of the financial statements. The results of the audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements.

No	Key Audit Matter	How the Audit addressed the key Audit Matter
1.	Transfers to other Government Agencies	
	The mandate of the state department included conservation and management of forests, wildlife and biodiversity resources. The objective was achieved through semi-autonomous government agencies.	<ul style="list-style-type: none"> • Reviewed the mandate and the strategic plan of the state department • Reviewed the approved budget for provisions for transfers to other government agencies

	During the year under audit, Transfers were made to the agencies and other grants amounting to Kshs.7,572,629,070 and Kshs.14,019,846 respectively	<ul style="list-style-type: none"> • Verification of exchequer notifications for details on the transfers • Verified confirmations from the receiving government agencies • Verification on the disclosures related to grants and other transfers
2.	Compensation Claims by Individuals on Human Wildlife Conflict	
	Falling under the mandate of the state department for natural resources is the wildlife resources management and policy formulation. During the year under review claims against the government of Kenya by individuals arising from wildlife human conflict were projected to be about Kshs.4.2 billion. Original budget for compensation on claims and administration of the same was set at Ksh.630 million. However the figure was revised downwards to ksh.153 million.	<ul style="list-style-type: none"> • Verification of the mandate of the state department as far as wildlife resource management is concerned • Reviewed data held at the state department regarding wildlife human conflict • Verification of the budgetary provision for compensations and adequacy of the budget • Reviewed historical records on claims
3	Fixed Assets Management	
	The statement of receipts and payments reflects acquisition of assets figure of Kshs.15,249,827 and brought forward figure of Kshs.282,107,946 and Annex 2 (summary of fixed assets register) discloses a figure of Kshs.297,357,773.	<ul style="list-style-type: none"> • Verification of the asset register for status • Verification assets ownership • Verification of the assets valuation/measurement

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, except for the matters described in the Basis for Qualified Opinion section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the State Department's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the sustainability of services basis of accounting unless the government intends to cease operations of the State Department, or have no realistic alternative but to do so.

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. 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 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 sustainability of services, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the State Department'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 State Department to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and 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.



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

Nairobi

19 March 2019



STATE DEPARTMENT FOR NATURAL RESOURCES


Reports and Financial Statements

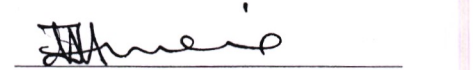
For the year ended June 30, 2018

V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2017-2018 Kshs	2016-2017 Kshs
RECEIPTS			
Transfer from National Treasury	1	8,125,269,803.00	7,815,300,000.00
Other Receipts	2	0	500,000.00
TOTAL RECEIPTS		<u>8,125,269,803.00</u>	<u>7,815,800,000.00</u>
PAYMENTS			
Compensation of Employees	3	134,635,880.00	92,829,288.00
Use of goods and services	4	364,574,678.00	402,337,553.00
Transfers to Other Government Units	5	7,572,629,070.00	6,478,832,768.00
Other grants and transfers	6	14,019,846.00	547,247,258.00
Social Security Benefits	7	6,700,000.00	0
Acquisition of Assets	8	15,249,827.00	282,107,946.00
TOTAL PAYMENTS		<u>8,107,809,301.90</u>	<u>7,803,354,814.00</u>
SURPLUS/DEFICIT		<u>17,460,501.00</u>	<u>12,445,186.00</u>

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 22nd Feb 2019 and signed by:


Margaret W. Mwakima, PhD, CBS
Principal Secretary


Julius M. Maina
Principal Accounts Controller
ICPAK Member Number: 13950

STATE DEPARTMENT FOR NATURAL RESOURCES
Reports and Financial Statements
For the year ended June 30, 2018

VI. STATEMENT OF ASSETS AND LIABILITIES

	Note	2017-2018 Kshs	2016-2017 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	8A	18,213,425.00	11,926,625.00
Cash Balances	8B	221,613.00	15,650.00
Total Cash and cash equivalent		<u>18,435,038.00</u>	<u>11,942,275.00</u>
Accounts Receivables - Outstanding Imprests and clearance Accounts	9	26,004,338.00	2,000,800.00
TOTAL FINANCIAL ASSETS		<u>44,439,376.00</u>	<u>13,943,075.00</u>
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	10	11,177,888.00	1,497,888.00
NET FINANCIAL ASSETS		<u>33,261,488.00</u>	<u>12,445,187.00</u>
REPRESENTED BY			
Fund balance b/fwd	11	12,445,187.00	0
Prior year adjustment	12	3,355,800.00	0
Surplus/Deficit for the year		17,460,501.00	12,445,186.00
NET FINANCIAL POSITION		<u>33,261,488.00</u>	<u>12,445,186.00</u>

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 22nd Feb 2019 and signed by:



Margaret W. Mwakima, PhD, CBS
Principal Secretary



Julius M. Maina
Principal Accounts Controller
ICPAK Member Number: 13950

STATE DEPARTMENT FOR NATURAL RESOURCES

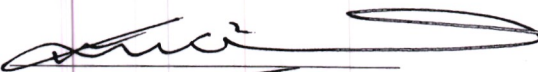
Reports and Financial Statements

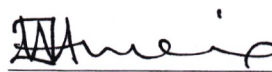
For the year ended June 30, 2018

VII. STATEMENT OF CASHFLOWS

		2017-2018	2016-2017
		Kshs	Kshs
Receipts for operating income			
Transfers from National Treasury	1	8,125,269,803.00	7,815,300,000.00
Other Revenues	2	0	500,000.00
Payments for operating expenses		8,125,269,803.00	7,815,800,000.00
Compensation of Employees	3	134,635,880.00	92,829,288.00
Use of goods and services	4	364,574,678.00	402,337,553.00
Transfers to Other Government Units	5	7,572,629,070.00	6,478,832,768.00
Other grants and transfers	6	14,019,846.00	547,247,258.00
Social Security Benefits	7	6,700,000.00	
		8,092,559,475.00	7,521,246,867.00
Adjusted for:			
Changes in receivables		(24,067,338.00)	(2,000,800.00)
Changes in payable		9,680,000.00	1,497,888.00
Adjustments during the year		3,355,800.00	-
Net cash flow from operating activities		21,742,590.00	294,050,221.00
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	8	(15,249,827.00)	(282,107,946.00)
Net cash flows from Investing Activities		(15,249,827.00)	(282,107,946.00)
CASH FLOW FROM BORROWING ACTIVITIES			
Proceeds from Domestic Borrowings		-	-
Proceeds from Foreign Borrowings		-	-
Repayment of principal on Domestic and Foreign borrowing		-	-
Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		6,492,763.00	11,942,274.00
Cash and cash equivalent at BEGINNING of the year	11	11,942,275.00	-
Cash and cash equivalent at END of the year		18,435,038.00	11,942,274.00

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 22nd Feb 2019 and signed by:


Margaret W. Mwakima, PhD, CBS
 Principal Secretary


Julius M. Maina
 Principal Accounts Controller
 ICPAK Member Number: 13950

STATE DEPARTMENT FOR NATURAL RESOURCES

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For the year ended June 30, 2018

VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS						
Proceeds from Domestic and Foreign Grants	532,160,495.00	582,160,495.00	1,114,320,990.00	0	1,114,320,990.00	0%
Exchequer releases	10,085,979,000.00	(1,569,251,373.00)	8,516,727,627.00	8,125,269,803.00	391,457,824.00	95%
Proceeds from Sale of Assets	1,602,800,000.00	1,602,800,000.00	3,205,600,000.00	0	3,205,600,000.00	0%
Other Receipts	1,517,210,500.00	1,846,235,500.00	3,363,446,000.00	0	3,363,446,000.00	0%
Total Receipts	13,738,149,995.00	2,461,944,622.00	16,200,094,617.00	8,125,269,803.00	8,074,824,814.00	50%
PAYMENTS						
Compensation of Employees	72,500,000.00	65,800,000.00	138,300,000.00	134,635,880.00	3,664,120.00	97%
Use of goods and services	480,997,660.00	(70,674,113.00)	410,323,547.00	364,574,678.00	45,812,669.00	89%
Subsidies	0	0	0	0	0	0
Transfers to Other Government Units	8,120,410,495.00	7,923,060,495.00	16,043,470,990.00	7,572,629,070.00	8,470,841,920.00	47%
Other grants and transfers	0	27,487,398.00	27,487,398.00	14,019,846.00	13,467,552.00	51%
Social Security Benefits	0	6,700,000.00	6,700,000.00	6,700,000.00	0	100%
Acquisition of Assets	21,252,340.00	18,299,030.00	39,551,370.00	15,249,827.00	24,301,543.00	39%
Finance Costs, including Loan Interest	0	0	0	0	0	
Total Payments	8,695,160,495.00	7,970,672,810.00	16,665,833,305.00	8,107,809,301.90	8,558,087,803.00	49%
Surplus/ Deficit	5,042,989,500.00	(5,508,728,188.00)	(465,738,688.00)	17,460,501.00	(483,262,989.00)	

The entity financial statements were approved on 22nd Feb 2019 and signed by:




Margaret W. Mwakima, PhD, CBS
Principal Secretary


Julius M. Maina
Principal Accounts Controller
ICPAK Member Number: 13950


For the year ended June 30, 2018

X. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS						
Exchequer releases	7,272,979,000.00	(390,262,685)	6,882,716,315.00	6,801,719,803.00	80,996,512.00	99%
Proceeds from Sale of Assets	1,602,800,000.00	1,602,800,000.00	3,205,600,000.00	0	3,205,600,000.00	0%
Reimbursement and Refunds	0	0	0	0	0	0%
Returns of Equity Holdings	0	0	0	0	0	0%
Other Receipts	1,517,210,500.00	1,846,235,500.00	3,363,446,000.00	0	3,363,446,000.00	0%
Total Receipts	10,392,989,500.00	3,058,772,815.00	13,451,762,315.00	6,801,719,803.00	6,650,042,512.00	51%
PAYMENTS						
Compensation of Employees	72,500,000.00	65,800,000.00	138,300,000.00	134,635,880.00	3,664,120.00	97%
Use of goods and services	478,497,660.00	(69,424,113.00)	409,073,547.00	364,006,258.00	46,131,089.00	89%
Subsidies	0	0	0	0	0	0%
Transfers to Other Government Units	6,187,000,000.00	6,645,025,000.00	12,832,025,000.00	6,242,067,747.00	6,589,957,253.00	49%
Other grants and transfers	0	27,487,398.00	27,487,398.00	14,019,846.00	13,467,552.00	51%
Social Security Benefits	0	6,700,000.00	6,700,000.00	6,700,000.00	0	100%
Acquisition of Assets	18,502,340.00	19,674,030.00	38,176,370.00	15,176,327.00	23,000,043.00	40%
Grand Totals	6,756,500,000.00	6,695,262,315.00	13,451,762,315.00	6,776,606,058.00	6,675,220,057.00	50%
Surplus/Deficit	3,636,489,500.00	(3,636,489,500)	0	25,113,745.00	(25,177,545.00)	

The entity financial statements were approved on 22nd Feb 2019 and signed by:


 Margaret W. Mwakima, PhD, CBS
 Principal Secretary


 Julius M. Maina
 Principal Accounts Controller
 ICPAK Member Number: 13950


**Reports and Financial Statements
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XI. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS						
Tax Receipts	0	0	0	0	0	0%
Social Security Contributions	0	0	0	0	0	0%
Proceeds from Domestic and Foreign Grants	532,160,495.00	582,160,495.00	1,114,320,990.00	0	1,114,320,990.00	0.00%
Exchequer releases	2,813,000,000.00	(1,178,988,688.00)	1,634,011,312.00	1,323,550,000.00	310,461,312.00	81%
Total Receipts	3,345,160,495.00	(596,828,193)	2,748,382,302.00	1,323,550,000.00	1,424,782,302.00	48%
PAYMENTS						
Compensation of Employees	0	0	0	0	0	0%
Use of goods and services	2,500,000.00	(1,250,000.00)	1,250,000.00	568,420.00	681,580.00	45%
Subsidies	0	0	0	0	0	0%
Transfers to Other Government Units	1,933,410,495.00	1,278,035,495.00	3,211,445,990.00	1,330,561,324.00	1,880,884,666.00	41.43%
Other grants and transfers	0	0	0	0	0	0%
Social Security Benefits	0	0	0	0	0	0%
Acquisition of Assets	2,750,000.00	(1,375,000.00)	1,375,000.00	73,500.00	1,301,500.00	5.35%
Finance Costs, including Loan Interest	0	0	0	0	0	0%
Repayment of Principal on Domestic and Foreign borrowing	0	0	0	0	0	0%
Other Payments	0	0	0	0	0	0%
Grand Totals	1,938,660,495.00	1,275,410,495.00	3,214,070,990.00	1,331,203,244.00	1,882,867,746.00	41.42%
Surplus/Deficit	1,406,500,000.00	(1,872,238,688.00)	(465,738,688.00)	(7,653,244.00)	(458,085,444.00)	

The entity financial statements were approved on 22nd Feb 2019 and signed by:


Margaret W. Mwakima, PhD, CBS
Principal Secretary


Julius M. Maina
Principal Accounts Controller
ICPAK Member Number: 13950

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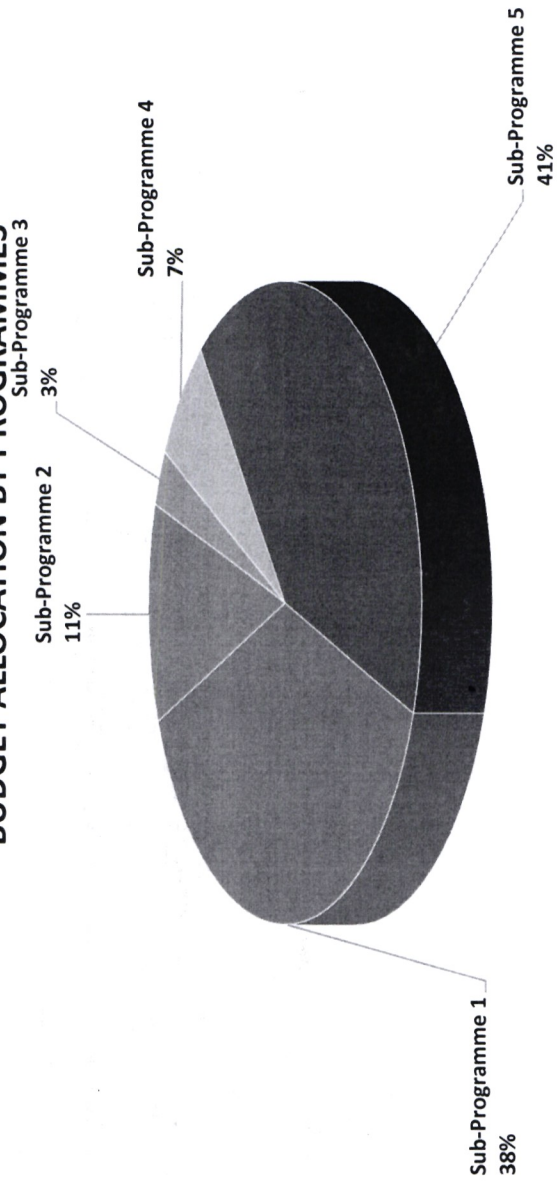
XII. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Original Budget		Adjustments	Final Budget		Actual on comparable basis		Budget utilization difference
	2017	Kshs (Millions)		2018	Kshs (Millions)	June 30 th 2017	Kshs (Millions)	
Programme 1. Natural Resources Management and Protection								
Sub-programme 1: Policy and Governance in Natural Resources	6,475		(776)	5,699	2,427		3,272	
Sub-programme 2: Natural Resource Management	1,670		(35)	1,635	1,628		70	
Sub-programme 3: Forest Conservation and Management	521.00		(102)	419	359		60	
Sub-programme 4: Forestry Research and Development	974		9	983	641		342	
Sub-programme 5: Wildlife Security, Conservation and Management	6,031		79	6,110	2,673		3,437	
TOTAL	15,671		(825)	14,846	7,728		7,118	

BUDGET ALLOCATION BY PROGRAMMES

Programmes	Approved Budget Allocation Kshs.(Millions)	Actual Payments Kshs. (Millions)	variance Kshs. (Million)
Sub-programme 1	5,699	2,427	3,272
Sub-programme 2	1,635	1,628	7
Sub-programme 3	419	359	60
Sub-programme 4	983	641	342
Sub-programme 5	6,110	2,673	3,437

BUDGET ALLOCATION BY PROGRAMMES



XIII. 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 Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the PSASB and set out in the accounting policy notes below.

This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The receivables and payables are disclosed in the Statement of Assets and Liabilities. The Statement of Assets and Liabilities is not mandatory statement under the IPSAS Cash basis but is encouraged in order to disclose information on assets and liabilities.

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

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

2. Reporting entity

The financial statements are for the *State Department for Natural Resources*. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012 and also comprise of the following development projects implemented by the entity:

- i) SLEEK*
- ii) Kenya Water Towers Programme*

3. Recognition of receipts and payments

a) Recognition of receipts

The Entity recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the entity.

Tax receipts

Tax Receipts is recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received.

SIGNIFICANT ACCOUNTING POLICIES

Transfers from the Exchequer

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

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External Assistance

External assistance is received through grants and loans from multilateral and bilateral development partners.

Donations and grants

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

Proceeds from borrowing

Borrowing includes Treasury bill, treasury bonds, corporate bonds; sovereign bonds and external loans acquired by the entity or any other debt the Entity may take on will be treated on cash basis and recognized as receipts during the year of receipt.

Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for projects currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. During the year ended 30th June 2017, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

Other receipts

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognized in the financial statements the time associated cash is received.

b) Recognition of payments

The entity recognizes all expenses when the event occurs and the related cash has actually been paid out by the entity.

Compensation of employees

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

SIGNIFICANT ACCOUNTING POLICIES

Use of goods and services

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

Interest on borrowing

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

Repayment of borrowing (principal amount)

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made.

Acquisition of fixed assets

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

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

4. In-kind contributions

In-kind contributions are donations that are made to the *State Department for Natural Resources* 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 *State Department for Natural Resources* includes such value in the statement of receipts and payments both as receipts and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

5. 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.

SIGNIFICANT ACCOUNTING POLICIES

Restriction on cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation.

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2018, this amounted to Kshs. 11,177,888.00 compared to Kshs. 1,497,888.00 in prior period as indicated on note 8A. There were no other restrictions on cash during the year

6. 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 are treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the

STATE DEPARTMENT FOR NATURAL RESOURCES
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imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

XIV. NOTES TO THE FINANCIAL STATEMENTS

1. EXCHEQUER RELEASES

Description			2017-2018	2016-2017
			Kshs	Kshs
Total Exchequer Releases for quarter 1			1,257,949,003.00	0.00
Total Exchequer Releases for quarter 2			1,354,720,000.00	3,451,800,000.00
Total Exchequer Releases for quarter 3			1,120,900,000.00	1,630,800,000.00
Total Exchequer Releases for quarter 4			4,391,700,800.00	2,732,700,000.00
Total			8,125,269,803.00	7,815,300,000.00

2. OTHER REVENUES

			2017-2018	2016-2017
Other Receipts Not Classified Elsewhere			0.00	500,000.00
Total				500,000.00

(Explain what other receipts not classified elsewhere relates to All other revenues must be classified into their relevant classes and explained)

3. COMPENSATION OF EMPLOYEES

			2017-2018	2016-2017
			Kshs	Kshs
Basic salaries of permanent employees			77,451,438.00	65,805,323.00
Basic wages of temporary employees			13,924,731.00	2,207,048.00
Personal allowances paid as part of salary			43,259,711.00	24,816,918.00
Total			134,635,880.00	92,829,288.00

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4. USE OF GOODS AND SERVICES

			2017-2018	2016-2017
Utilities, supplies and services			-	-
Communication, supplies and services			1,098,193.00	4,461,693.00
Domestic travel and subsistence			30,663,859.00	30,765,169.00
Foreign travel and subsistence			10,570,836.00	39,753,229.00
Printing, advertising and information supplies & services			860,120.00	2,875,906.00
Rentals of produced assets			85,345,435.00	86,691,851.00
Training expenses			5,957,068.00	28,177,245.00
Hospitality supplies and services			5,311,080.00	10,362,324.00
Insurance costs			51,000.00	49,000.00
Specialized materials and services			16,535,445.00	11,185,422.00
Office and general supplies and services			1,830,648.00	6,094,967.00
Fuel Oil and Lubricants			13,120,023.00	12,661,945.00
Other operating expenses			186,832,719.00	156,061,783.00
Routine maintenance – vehicles and other transport equipment			5,048,758.00	8,005,882.00
Routine maintenance – other assets			1,349,494.00	5,191,138.00
Total			364,574,678.00	402,337,553.00

5. GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description			2017-2018	2016-2017
			Kshs	Kshs
Transfers to National Government entities (SCOA Codes 2630100, 2630200, 2640400, 2640500, 2649900, 2820100, 2820200, 2820300)			7,572,629,070.00	6,478,832,768.00
See attached list				
Transfers to other levels of Government –Counties				
TOTAL			7,572,629,070.00	6,478,832,768.00

The above transfers were made to the following self-reporting entities in the year:

Description	Recurrent	Development	Total
	Kshs	Kshs	Kshs
Transfers to SAGAs and SCs			
Kenya Forest Service	1,837,308,627.00	348,125,000.00	2,185,433,627.00
Kenya Forestry Research Institute	1,487,512,496.00	143,231,199.00	1,630,743,695.00
Kenya Wildlife Service	2,450,827,200.00	280,000,000.00	2,730,827,200.00
Wildlife Clubs of Kenya	24,739,438.00	16,488,000.00	41,227,438.00
Kenya Water Towers Agencies	434,222,736.00	390,243,998.00	824,466,734.00
	6,234,610,497.00	1,178,088,197.00	7,412,698,694.00

STATE DEPARTMENT FOR NATURAL RESOURCES
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Transfers to County Governments			
		0	0
Transfers to Projects-GoK counterpart funding			0
Kenya Water Tower Programme	0	73,007,497.00	73,007,497.00
Green School Programme - Headquarters	0	86,922,880.00	86,922,880.00
TOTAL	6,234,610,497.00	1,338,018,574.00	7,572,629,071.00

We have confirmed these amounts with the recipient entities and attached these confirmations as an Appendix to this financial statements

6. OTHER GRANTS AND TRANSFERS

Explanation	2017-2018	2016-2017
	Kshs	Kshs
Membership dues and subscriptions to international organizations	14,019,846.00	0
Emergency relief and refugee assistance	0	547,247,258.00
Total	14,019,846.00	547,247,258.00

7. SOCIAL SECURITY BENEFITS

Explanation	2017-2018	2016-2017
Government Pension and Retirement Benefits	6,700,000.00	0
Social Security Benefits in Cash and in kind	0	0
TOTAL	6,700,000.00	0

Government Pension Related Gratuity paid to Principal Secretary

8. ACQUISITION OF ASSETS

Non Financial Assets		2017-2018	2016-2017
		Kshs	Kshs
Construction of Roads		0	0
Construction and Civil Works		73,500.00	200,000,000.00
Overhaul and Refurbishment of Construction and Civil Works		1,230,000.00	902,697.00
Purchase of Household Furniture and Institutional Equipment		413,882.00	1,489,531.00
Purchase of Office Furniture and General Equipment		10,544,252.00	30,739,459.00
Purchase of Specialized Plant, Equipment and Machinery		2,988,193.00	48,976,259.00
Sub-total		15,249,827.00	282,107,946.00
Financial Assets			
Domestic Public Non-Financial Enterprises		0	0

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Domestic Public Financial Institutions			0	0
Foreign financial Institutions operating Abroad			0	0
Other Foreign Enterprises			0	0
Foreign Payables - From Previous Years			0	0
Sub-total			0	0
Total			15,249,827.00	282,107,946.00

8A: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development, deposit e.t.c	Exc rate (if in foreign currency)	2017-2018	2016-2017
				Kshs	Kshs
Central Bank of Kenya 1000302275, Kshs	Kshs	Recurrent	1	6,784,335.00	503,206.00
Central Bank of Kenya 100302291, Kshs	Kshs	Development	1	251,202.00	9,925,531.00
Central Bank of Kenya 100302313 Kshs	Kshs	Deposit	1	11,177,888.00	1,497,888.00
Total	-			18,213,425.00	11,926,625.00

8B: CASH IN HAND

	2017-2018	2016-2017
	Kshs	Kshs
Cash in Hand – Held in domestic currency	221,613.00	15,650.00
Cash in Hand – Held in foreign currency	0	0
Total	221,613.00	15,650.00

Cash in hand should also be analyzed as follows:

	2017-2018	2016-2017
	Kshs	Kshs
Headquarters, NSSF Building Cash Office	221,613.00	15,650.00
Location 1		
Total	221,613.00	15,650.00

9: ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS

Description	2017-2018	2016-2017
	Kshs	Kshs
Government Imprests	25,961,730.00	1,958,192.00
Salary advances	42,608.00	42,608.00
Other Debtors and Prepayments	0	0
Clearance accounts	0	0

STATE DEPARTMENT FOR NATURAL RESOURCES
Reports and Financial Statements
For the year ended June 30, 2018

Total	26,004,338.00	2,000,800.00
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<i>Name of Officer or Institution</i>	<i>Date Imprest Taken</i>	<i>Amount Taken</i>	<i>Amount Surrendered</i>	<i>Balance</i>
		<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
John Wairegi Mwangi	22/01/18	50,400.00	-	50,400.00
Grace Armstrong Ayisi	11/04/18	23,600.00	-	23,600.00
Emily Wekesa	11/09/17	12,000.00	-	12,000.00
John Francis LongoleOligna	15/05/18	951,095.00	-	951,095.00
Anne Njoki Karaya	11/09/17	10,000.00	-	10,000.00
Alfred Obumbo Ongonge	26/06/18	1,996,400.00	-	1,996,400.00
John Otiato Nyaboya	11/04/18	23,600.00	-	23,600.00
Christopher Katwai Musumbu	06/11/17	235,200.00	-	235,200.00
Christopher Katwai Musumbu	02/02/18	100,800.00	-	100,800.00
James Murithi Ndege	14/09/17	15,000.00	-	15,000.00
Paul Were Kangira	30/08/17	173,750.00		173,750.00
Paul Were Kangira	26/01/18	134,400.00		134,400.00
Irene Wahinye Thuku	27/06/18	1,117,000.00		1,117,000.00
Irene Wahinye Thuku	30/06/18	3,747,300.00		3,747,300.00
Praxides Atieno Barasa	11/04/18	37,600.00		37,600.00
Oprah Adienge Atieno	10/10/17	5,000.00		5,000.00
Peter Kipchumba Cheruiyot	13/04/18	145,440.00		145,440.00
Renson Mwiti Miriti	22/11/17	25,200.00		25,200.00
Marck Siangla Ochieng	14/09/17	309,400.00		309,400.00
Marck Siangla Ochieng	10/01/18	320,600.00		320,600.00
Marck Siangla Ochieng	30/05/18	1,027,900.00		1,027,900.00
Marck Siangla Ochieng	29/06/18	2,786,000.00		2,786,000.00
Rashid Matongo Mwagi	10/11/17	156,800.00		156,800.00
Rashid Matongo Mwagi	02/02/18	67,200.00		67,200.00
Rashid Matongo Mwagi	21/05/18	267,600.00		267,600.00
Christine Nkatha Riungu	30/05/18	1,014,000.00		1,014,000.00
Christine Nkatha Riungu	30/06/18	6,261,300.00		6,261,300.00
Angela Wanjiku Wambugu	27/09/17	10,000.00		10,000.00
Angela Wanjiku Wambugu	11/04/18	37,600.00		37,600.00
Meshack Wamalwa Sumbule	13/06/18	685,000.00		685,000.00
Daniel Mangera Ondogo	29/06/18	2,016,000.00		2,016,000.00
Grace Wairimu Mungai	29/06/18	2,100,000.00		2,100,000.00
Total		26,025,529.75		25,961,729.75

10. ACCOUNTS PAYABLE

Description	2017-2018	2016-2017
	Kshs	Kshs
Other Liabilities	11,177,888.00	1,497,888.00
Total	11,177,888.00	1,497,888.00

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11. FUND BALANCE BROUGHT FORWARD

Description	2017-2018	2016-2017
	Kshs	Kshs
Bank accounts	11,926,625.00	0
Cash in hand	15,650.00	0
Receivables – Outstanding Imprests	2,000,800.00	0
Payables – Deposits	(1,497,888.00)	0
Total	12,445,187.00	0

12. PRIOR YEAR ADJUSTMENTS

Description of the error	2017-2018	2016-2017
	Kshs	Kshs
Adjustments on bank Account Balances	1,355,000.00	0.00
Adjustments on Cash in Hand	0.00	0.00
Adjustments on Payables	0.00	0.00
Adjustments on Receivable	2,000,800.00	0.00
Others (specify)	0.00	0.00
Total	3,355,800.00	0.00

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13. OTHER IMPORTANT DISCLOSURES

13.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

Description	2017-2018		2016-2017	
	Kshs		Kshs	
Construction of buildings	0		0	
Construction of civil works	12,977,124.00		0	
Supply of goods	16,632,650.00		48,827,501.00	
Supply of services	4,202,738.00		3,862,128.00	
	33,812,512.00		52,689,629.00	

13.2: HUMAN WILDLIFE CONFLICT COMPENSATION CLAIMS

Wildlife Conservation and Management Act, 2013 section 24 and 25 provides for compensation of victims of Human Wildlife Conflicts at specified rates. During the period 2014-2017 the cases that have been awarded are as tabulated below:-

Category	Number	Claims Awarded (Kshs.)
Human Deaths	791	3,358,986,478.00
Human Injuries	5,929	2,177,916,330.00
Predation	2,834	873,435,593.00
Crop Damage	5,794	555,037,249.00
Property Damage	34	4,140,062.00
Total	15,382	6,969,515,712.00

Out of the total liability of Kshs. 6,969,515,712.00 an amount of Kshs. 827,350,000.00 has been paid to Kenya Wildlife service for claims leaving a balance of Kshs. 6,142,165,712.00 as outstanding liability due to victims. Nonetheless, there are new cases that have been reported between June, 2017 and December, 2018 that have not been processed. This is likely to increase the liability in addition there are over 600 ongoing court cases by various claimed that are attracting legal fees and enhanced compensation amounts.

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14. 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)
Transfer to other Government units	Unexplained variance	Investigations ongoing	Accounts	Resolved	-
Notes to the Financial Statements and IFMIS Notes	Inconsistencies in numbering of notes	Error rectified	Accounts	Resolved	-
Variance between Notes to the Financial Statements and Notes as per IFMIS Report	Variances between Financial statements and notes to Financial Statement as per IFMIS systems	Waiting for Treasury reconciliation	Accounts	Resolved	-
Comparative Figures	Comparative Figures	Awaiting comprehensive guide from Treasury	Accounts	Partly resolved	-
Sub-standard and Incomplete Works	Confirmation of value for money	Fully addressed	Accounts	Resolved	-

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Wrong Charge	Wrong charge to expenditure heads	Fully addressed	Accounts	Resolved	-
Cash and Cash Equivalent	Accuracy of cash and cash equivalent	Fully addressed	Accounts	Resolved	-
Pending Bills	Over expenditure	Fully addressed	Accounts	Resolved	-
Acquisition of Assets	Misclassification of expenditure	Fully addressed	Finance	Resolved	-
Unbudgeted Expenditure	Unauthorised expenditure	Fully addressed	Finance	Resolved	-
Outstanding Imprests	Imprest register not updated	Fully addressed	Accounts	Resolved	-

The State Department for Natural Resources was new and therefore had no audit issues for previous financial years.

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ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

<i>Supplier of Goods or Services</i>	<i>Original amount</i>	<i>Date contracted</i>	<i>Amount Paid</i>	<i>Outstanding Balance 2018</i>	<i>Outstanding Balance 2018</i>	<i>Comments</i>
	<i>a</i>	<i>b</i>	<i>c</i>	<i>d=a-c</i>		
Construction of building						
Sub-Total						
Construction of civil works						
Shine Star General Supplies	12,977,124.00	24/11/2016		12,977,124.00	12,977,124.00	
Sub-Total	12,977,124.00			12,977,124.00	12,977,124.00	
Supply of goods						
Benagon Concepts	1,570,000.00	22/06/18		1,570,000.00	0	
Benagon Concepts	951,000.00	22/06/18		951,000.00	0	
Brose County Agencies	2,528,700.00	22/06/18		2,528,700.00	0	
Corraliza Agencies	292,500.00	29/05/18		292,500.00	0	
Fuzike Ventures	2,178,400.00	22/06/18		2,178,400.00	0	
Glencor Traders	170,000.00	29/05/18		170,000.00	0	
Janjos Services	850,000.00	23/06/18		850,000.00	0	
Lilfay Enterprises	1,385,000.00	22/06/18		1,385,000.00	0	
Limus Agencies	1,188,100.00	22/06/18		1,188,100.00	0	
Orivam Agencies	360,000.00	29/05/18		360,000.00	0	
Pat Ideal Enterprises	510,000.00	29/05/18		510,000.00	0	
Sekwoya Limited	994,200.00	13/04/18		994,200.00	0	
Stansrech General Supplies	427,500.00	24/06/18		427,500.00	0	
Big Sky Tyres	1,662,250.00	29/05/18		1,662,250.00	0	
Timehall General Traders	1,565,000.00	22/06/18		1,565,000.00	0	
Sub-Total	16,632,650.00			16,632,650.00	0	
Supply of Services						
Chrisco Auto Garage	453,328.00	16/03/18		453,328.00	0	
Gifts Auto	85,000.00	29/05/18		85,000.00	0	
Kenya Pipeline	724,000.00	27/04/18		724,000.00	0	
Javan Tours & Travel	864,170.00	22/06/18		864,170.00	0	
Madara Motors	239,000.00	29/05/18		239,000.00	0	
Masada Hotel	374,500.00	22/06/18		374,500.00	0	
Surfcom Solutions	465,320.00	17/06/18		465,320.00	0	
Surfcom Solutions	362,420.00	17/06/18		362,420.00	0	
Wilbro Trading Company	330,000.00	22/06/18		330,000.00	0	
Wilbro Trading Company	305,000.00	29/05/18		305,000.00	0	
Sub-Total	4,202,738.00			4,202,738.00	0	
Grand Total	33,812,512.00			33,812,512.00	12,977,124.00	



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ANNEX 2 - SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) 2016/2017	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost c/f (Kshs) 2017/2018
Construction and Civil Works	200,000,000.00	73,500.00	0	200,073,500.00
Overhaul of Vehicles and other Transport Equipment	902,697.00	1,230,000.00	0	2,132,697.00
Purchase of Household Furniture and Institutional Equipment	1,489,531.00	413,882.00	0	1,903,413.00
Purchase of office Furniture and General Equipment	30,739,459.00	10,544,252.00	0	41,283,712.00
Purchase of Specialised Plant, equipment and Machinery	48,976,259.00	2,988,193.00	0	51,964,452.00
Total	282,107,946.00	15,249,827.00	0	297,357,773.00

NB: The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the Ministry, Department or Agency. Additions during the year should tie to note 18 on acquisition of assets during the year.

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ANNEX 3 - REPORTS GENERATED FROM IFMIS

The following financial Reports Generated from IFMIS should be generated and attached as appendices to these financial statements.

- i. GOK IFMIS Comparison Trial Balance
- ii. FO30 (Bank reconciliations) for all bank accounts
- iii. GOK IFMIS Receipts and Payments Statement
- iv. GOK IFMIS Statement of Financial Position
- v. GOK IFMIS Statement of Cash Flows
- vi. GOK IFMIS Notes to the Financial Statements
- vii. GOK IFMIS Statement of Budget Execution
- viii. GOK IFMIS Statement of Deposits
- ix. GOK IFMIS Budget Execution by Programme and Economic Classification
- x. GOK IFMIS Budget Execution by Heads and Programmes

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