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**THE AUDITOR-GENERAL**

**ON**

**NATIONAL ENVIRONMENT MANAGEMENT  
AUTHORITY**

**FOR THE YEAR ENDED  
30 JUNE, 2022**



**nema**

mazingira yetu | uhai wetu | wajibu wetu

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**NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2022**

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

**(b) Principal Activities**

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

**(c) Key Management**

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

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

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2022 and who had direct fiduciary responsibility were:

1	Director General	Mr. Mamo B. Mamo, EBS, BSc, MSc
2	Director Corporate Services	CPA Kennedy Ochuka, B. Com, MBA, CPA (K)
3	Director Legal Services	Ms. Irene Kamunge, LLB, LLM
4	Director Compliance and Enforcement	Mr. David Ongare, BSc, MSc

**(e) Fiduciary Oversight Arrangements**

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

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

**Finance and Human Resource Committee**

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

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

**Audit, Governance and Risk Management Committee**

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

**(f) Headquarters**

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

**(g) Authority's Contacts**

Telephone: (254) 020 6005522  
E-mail: [dgnema@nema.go.ke](mailto:dgnema@nema.go.ke)  
Website: [www.nema.go.ke](http://www.nema.go.ke)

**(h) Authority's Bankers**

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



**(i) Independent Auditors**





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

**(j) Principal Legal Adviser**

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

**II. The Board of Directors**

 <p><b>Mr. Eric Wagithuku Mungai, EBS</b></p>	<p><b>Chairman</b></p> <p>Mr. Eric Wagithuku Mungai has over 25 years' experience in senior management positions, serving as a director of several successful businesses in Kenya. He has extensive experience in various economic sectors, including property development, mining, agribusiness, hospitality and education. He is widely travelled with a strong network of global contacts in the USA, France, UK, Turkey, South Africa, Republic of South Sudan, Uganda and Tanzania</p> <p>He holds Bachelors of Arts, Leadership and Management, St. Paul University, Kenya, Business Management at the School of Management in Boston University and USIU-Africa, Nairobi.</p> <p>He has served as Director, Kenya Bureau of Standards (KEBS) and Chairman, Sunkissed Limited and Chairman/CEO Astral Mining Limited. Currently, he is the Executive Director, Speedway Investments that is involved in several real estate ventures and has successfully completed Cedar Springs and Cedar Valley developments. In 2016, he was awarded the Moran of the Order of the Burning Spear (MBS) for distinguished service to the nation from H. E. Uhuru Kenyatta, President of the Republic of Kenya. He was born in 1965 and was appointed to serve as the Chairman, National Environment Management Authority (NEMA) on 5<sup>th</sup> of July 2022.</p>
 <p><b>Mr. John Konchellah</b></p>	<p><b>Chairman</b></p> <p>Mr. Konchellah holds a Bachelor of Commerce Degree in Banking from Poona University in India and a Master's degree in Business Administration (Strategic and Marketing Management) from Daystar University. He is also a Fellow of the Kenya Institute of Bankers and a Certified Public Practitioner on Financial Management (CPPFM), London. He has over twenty six (26) years of corporate management experience in banking industry rising through the career to the position of General Manager. Mr. Konchellah served as the Principal Secretary in the Ministry of Devolution and Planning where he was instrumental in establishment of devolution structures and costing of the functions in the forty seven (47) Counties; resettling of the Internally Displaced Persons (IDPs) from the camps; and chaired evacuation committee for Kenyans stranded in South Sudan. As the Principal Secretary in the Ministry of East Africa Affairs and Trade, he chaired the committee of EAC, COMESA and SADC which led to the formation of the tripartite agreement signed in Egypt. He was instrumental in retaining the monetary treaty of EAC. He was born in 1962 and joined the Board in 2017. His term was renewed in 2020. He however resigned from the Board in February 2022.</p>

	<p><b>Vice Chairperson</b></p> <p>Dr. Lul Abdiwahid is an Advocate of the High Court of Kenya. She holds an Honorary Doctorate Degree in Humanities from the University Graduate College and Seminary, USA, Masters in International Economics Law LL.M from the University of Warwick UK, a Bachelor of Law LLB from the University of Kent in Canterbury, UK and Post Graduate Diploma from the Kenya School of Law, Nairobi. Lul is a World Civility Ambassador and has served at the Standards Tribunal for a term of five years, she is an Associate Member of Federation of Women Lawyers in Kenya (FIDA) and Chartered Institute of Arbitrators (CIARB Kenya). She is also the Chairperson of Pure Pearl Foundation and Swahilipot Hub which are non-governmental organizations serving the youth, women and vulnerable societies in Kenya. She was born in 1985 and appointed to the Board on 28<sup>th</sup> October, 2021 and was the Ag. Board Chairperson during the year.</p>
	<p><b>Principal Secretary, Ministry of Environment and Forestry:</b></p> <p>Dr. Chris K. Kiptoo is the Principal Secretary, Ministry of Environment and Forestry. He has previously served as the Principal Secretary, State Department for Trade in the Ministry of Industry, Trade and Cooperatives. Before his appointment as Principal Secretary Trade, Dr. Kiptoo worked for three years at TradeMark East Africa (TMEA) as the Kenya Country Director.</p>
	<p><b>Principal Secretary, National Treasury.</b></p> <p>Dr. Muia is the Principal Secretary at The National Treasury. Prior to his appointment, he was the Principal Secretary at the State Department for Planning – The National Treasury and Planning. Before his appointment as PS Planning, he was the Director General, Vision 2030 Delivery Secretariat which operated under the Office of the President to facilitate the implementation of Vision 2030. He holds Bachelor of Commerce degree in accounting from University of Nairobi, master’s degree and PhD in Finance from the same university. His professional qualifications include Certified Public Accountant (CPA-K and Certified Public Secretary (CPS-K).</p>
	<p><b>Attorney General.</b></p> <p>Hon. Justice (Rtd) Paul Kariuki is the Attorney General of the Republic of Kenya. Previously, He served as President of the Court of Appeal of Kenya from 2013 to 2018, Director of the Judiciary Training Institute, Judge of the High Court of Kenya, and Principal and CEO of the Kenya School of Law. Justice (Rtd) Kihara attained his Bachelor of Laws (LLB) degree from the University of Nairobi and holds a Post Graduate Diploma in Law from the Kenya School of Law. He was born in 1954.</p>



**Mr. Noordin Osman Jama**

**Board Member:**

Noordin Osman Jama is a seasoned Maritime and Logistics expert with over 15 years experience in the sector. He is also an alumni of the University of Oxford having graduated in system analysis and design.

He has participated in the planning, monitoring, implementation and evaluation of impactful projects both in government and the private sector and consequently driving economic transformation for the benefit of the country.

He is an authentic and dynamic leader with the capacity to perform diverse responsibilities and unlocking opportunities for innovation and growth. He was born in 1982 joined the board on 6<sup>th</sup> July 2022.



**Dr. Rhonest Ntaya**

**Board Member:**

Dr. Rhonest Ntaya has over 27 years' experience in public service in Kenya and beyond having worked in various government organizations such as Kenya Agricultural Research Institute (KARI), Kenya Plant Health Inspectorate Service (KEPHIS) and Government Chemist Department, Office of the President, Republic of Kenya among others.

He holds a PhD in Agricultural / Environmental Chemistry from University of Glasgow, United Kingdom and an MBA on Strategic Management from the Management University of Africa-Kenya and B.S.C Chemistry (India). He was born in 1960 and joined the Board on 6<sup>th</sup> July 2022.



**CPA Isabella Kogei**

**Board Member (National Treasury representative):**

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





**Ms. Annie Syombua**

**Board Member (Principal Secretary Ministry of Environment and Forestry representative):**


Ms. Annie Syombua represents the Principal Secretary of Environment and Forestry at the Board. She is an advocate of the High Court of Kenya. She was born in 1975 and joined the Board in July 2019.

 <p><b>Mr. Charles Wambua Mulila</b></p>	<p><b>Board Member</b></p> <p>Public and private sector Governance expert with over 23 years' experience. Media, Corporate and Strategic Communications Practitioner, Editorial Consultant, Community Affairs coach, Government Relations and policy expert. Public Relations professional. Member of the Media Council of Kenya (MCK), Public Relations Society of Kenya (PRSK). Served in the board of Kenya Broadcasting Corporation (KBC), National Industrial Training Authority (NITA), Radio Thome (Community Radio owned by the Catholic Diocese of Kitui) and the Kenya Union Of Journalists (KUJ). He is a communications Media and Public Relations graduate (UON). He was born in 1970 and appointed to the Board on 28<sup>th</sup> October 2021.</p>
 <p><b>Ms. Shanu Bashuna Abudho</b></p>	<p><b>Board Member</b></p> <p>Shanu B. Abudho is an advocacy and Governance expert with over 15 years experience in community service. She is the founding director of Chalbi Scholars Organization, a grass root organization that support needy girls and boys access high school education. She has previously served as a climate change champion in Marsabit and other northern frontier districts in partnership with an NGO called Pastoralist Integrated Support Program. Ms. Shanu has a Bachelor of Arts degree in Sociology and Economics from Catholic University of Eastern Africa and a Master of Arts in Rural Sociology and Community Development from University of Nairobi. She is the Chair of Finance and Human Resources Committee of the Board. She was born in 1977 and appointed to the Board on 28<sup>th</sup> October 2021.</p>
 <p><b>Mr. Samson Nyangeso</b></p>	<p><b>Board Member</b></p> <p>Samson Nyangeso is a governance and public sector leader with over 25 years experience. He has served as Chairman of Kenya National Library Services, Director of KBC, Mayor of Kisii County and Chairman of the Association of Local Government employers (ALGAE). He was born in 1963 and appointed to the Board on 28<sup>th</sup> October 2021.</p>
 <p><b>Mr. Jeremiah Motari Matunda</b></p>	<p><b>Board Member</b></p> <p>J. Motari Matunda is an advocate of the High Court of Kenya and currently working at the Office of the Attorney General as Principal State Counsel. He holds a Bachelor of Social laws (BSL) and Bachelor of Law (LLB) Master of Laws (LLM) in International Environmental Law) from the University of Nairobi. Post graduate diploma in Corporate Governance. Post graduate diploma from Kenya school of law (KSL), Senior management course (SMC) and strategic leadership training program (SLDP) from the Kenya school of government-lower Kabete. He was born in 1979 and was appointed to the Board on 4<sup>th</sup> January 2022.</p>

 <p><b>Mr. Chrisologus Makokha</b></p>	<p><b>Board Member (Inspector General, State Corporations, Office of the Deputy President representative).</b></p> <p>Mr. Chrisologus Makokha is the representative of the Inspector General, State Corporations, Office of the Deputy President. Before being appointed to the Inspectorate of State Corporations, he worked for the Central Bureau of Statistics, Ministry of Devolution and Planning. Mr. Makokha is currently a PhD in Business Administration student at Jomo Kenyatta University of Agriculture and Technology (JKUAT). He holds a Master of Business Administration from the same institution and a Bachelor of Science Degree in Applied Statistics with IT, Second Class Honors (Upper Division) from Kenyatta University.</p> <p>He has vast experience in Corporate Governance, Strategic Planning and Strategy Execution.</p>
 <p><b>Mr. Mamo B. Mamo, EBS</b></p>	<p><b>Director General</b></p> <p>Mamo Boru Mamo, EBS has over 20 years of experience in public service with 16 years of work experience at the National Environment Management authority (NEMA) having grown through the ranks to the position of Director General.</p> <p>Mamo holds an MSc in Environmental Education from Kenyatta University and a Bachelor's of science Degree from Egerton University. Currently, he is pursuing a PhD in climate change and Sustainability at Kenyatta University. He is an alumni of International Leadership Program (IVLP) Washington DC (USA) in Water Resources Protection (2013).</p> <p>He was appointed as the Director General following a competitive process on 13th August 2020.</p> <p>Mamo was awarded Elder of Burning Spear (EBS) accolade by H.E President Uhuru Kenyatta on 16th December 2021.</p>

**III. Management Team**

1	 <p><b>Mr. Mamo B. Mamo, EBS</b></p>	<p><b>Director General:</b></p> <p>Mamo Boru Mamo, EBS has over 20 years of experience in public service with 16 years of work experience at the National Environment Management authority (NEMA) having grown through the ranks to the position of Director General.</p> <p>Mamo holds an MSc in Environmental Education from Kenyatta University and a Bachelor's of science Degree from Egerton University. Currently, he is pursuing a PhD in climate change and Sustainability at Kenyatta University. He is an alumni of International Leadership Program (IVLP) Washington DC (USA) in Water Resources Protection (2013).</p> <p>Mr. Mamo was appointed the Acting Director General in July 2019 and subsequently appointed as the Director General following a competitive process on 13th August 2020.</p> <p>Mamo was awarded Elder of Burning Spear (EBS) accolade by H.E President Uhuru Kenyatta on 16th December 2021.</p>
2	 <p><b>CPA Kennedy Ochuka</b></p>	<p><b>Director Finance and Administration:</b></p> <p>CPA Ochuka holds a Master of Business Administration (Finance) and Bachelor of Commerce (Accounting) from the University of Nairobi. He is also a Certified Public Accountant of Kenya and a member of the Institute of Certified Public Accountant of Kenya.</p> <p>He has previously worked as Finance Manager at Water Services Trust Fund and General Manager Finance at National Water Conservation and Pipeline Corporation on secondment. He joined the Authority in his current position in 2012.</p>
3	 <p><b>Ms. Irene Kamunge</b></p>	<p><b>Director Legal Services:</b></p> <p>Irene holds a Master of Law in Environment and Natural Resources and a Bachelor of Law from the University of Nairobi. She also holds a diploma in Law from Kenya School of Law and is an advocate of the High Court.</p> <p>She has previously worked as Vice Chairperson and Joint Secretary of Task Force Drafting Legislation on Implementing Land Use, Environment and Natural Resource Provision in the Constitution of Kenya. She has also worked as Legal Officer in the Education Department, Ethics and Anti-Corruption Commission; Researcher at Commission of Inquiry into Illegal /regular Allocation of Public Land (Ndungu Commission) and Legal Officer, Ecumenical Centre for Justice and Peace. She was appointed as the Director Legal Services in 2015.</p>

4	 <p><b>Mr. David Ongare</b></p>	<p><b>Director Compliance and Enforcement:</b></p> <p>Ongare holds Master of Science in Biology and a Bachelor's degree in Education (Science) from Egerton University.</p> <p>He has worked as Deputy Director in charge of Environment Education and Information in the Authority. He has as well worked in various fields, including lecturing/ teaching Biology and rose through the ranks to become head of a school and examiner for the Kenya National Examination Council (KNEC). He was appointed the Director Compliance and Enforcement in 2015.</p>
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**IV. Chairman's Statement**

**Dear esteemed Stakeholders,**

It is my honour and pleasure to present to you NEMA's Annual Report and Financial Statements for the year ended 30th June 2022. In this reporting period, Mr. John Konchellah was in his last term as the NEMA Board Chair. He resigned from the Board in February 2022 and Dr. Lul Abdiwahid was appointed the Board Chair on Acting Capacity. I was appointed the substantive Board Chair on the 5<sup>th</sup> of July 2022. I appreciate His Excellency President Uhuru Kenyatta for allowing me to successfully drive the environment agenda in the country. Environmental and natural resources are critical sources of food, raw materials for the manufacturing sector and offer safeguards for managing risks associated with the spread of zoonotic diseases. Recently, it has been estimated that natural resources contribute about 42% of the country's Gross Domestic Product (GDP) and support about 70% of the country's population's livelihoods.

These valuable natural assets, however, face significant conservation challenges. For instance, Kenya has been classified as a water-scarce country. These water resources are reported to be declining (water resources available in 2010 was 586 m<sup>3</sup> per capita per year against the global benchmark of 1000m<sup>3</sup>). More so, wildlife species that once spread across landscapes have declined in numbers, with some Red-listed as threatened by the International Union for the Conservation of Nature (IUCN). The country forest cover remains below the constitutional threshold of 10% tree cover while degradation remains widespread.

As a result, over the years, as a sign of commitment to strengthening environmental and natural resources governance for enhancing conservation of these resources, Kenya has developed several relevant policies, enacted a range of relevant legal frameworks, and established institutions meant to advance the conservation of the environment and natural resources in the country.

**Financial performance**

During the financial year, the Authority realized revenues amounting to KES. 1.65 billion which was a decrease of 9.7 % on KES 1.82 billion raised the previous year. Exchequer allocations accounted for KES 1.24 billion and constituted to 75 % of the annual revenues. The Authority has plans to diversify its revenues streams in order to boost the revenue base and reduce the over reliance on The National Treasury. The Authority collected KES 195.96 million in Appropriations in Aid (AIA) compared to 319.69 million in the previous year. The Authority realized a deficit of KES 15.22 million.

**Our Commitment**

The Board commits to ensure the Authority delivers her tasks in accordance with the strategic plan and will support management to achieve the overall goal set out in Article 42 of the Constitution of Kenya 2010, to ensure every person has the right to a clean and healthy environment. This goal will be achieved by supporting NEMA management to leverage on strategic partnerships and build synergies with other government lead agencies and partners for the management and coordination of environment in the country.

The Board will continue to provide policy direction ensuring the Authority delivers on its mandate and promotes environmental stewardship, professionalism, integrity, innovativeness, customer focus and teamwork. During the financial year the Authority entered into agreement with Global Environmental Facility to finance Africa Environmental Health Pollution Management Programme at a cost of USD 8.3 million for a five-year period. This Programme will be coordinated by the World Bank.

During the year under review, the cabinet secretary appointed six new Board members. It is my hope that the new team will settle in swiftly to steer the Authority's performance to greater levels.

### **Operations**

To improve quality of environment and to further monitor the scenarios of environmental and natural resource changes, Government of Kenya, through the National Environment Management Authority (NEMA), produces the State of Environment (SoE) Report every two years as provided under EMCA section 9 (2) (P). The State of the Environment, which has been produced since 2003, serves as a vital tool for guiding Kenya's environmental situation. It spells strategies that would provide sustainable management of the environment and natural resources. The strategies mainstreamed through this report form the building blocks for many policy documents and agendas for the country both at the national and County level. During the reporting period, the authority launched the SoE 2019 – 2021. The Authority also commenced collection of primary and secondary data and information for development of the National SoE 2022 -2024.

The Authority continues to implement strategies to improve the quality of environment. To streamline and enhance professionalism in the field of environmental assessments, the Authority is in the process of publishing a register of practising environmental experts. The Authority's Expert Registration Panel conducted interviews for 10 experts and the activity will continue in the FY 2022/23. The Board has also prioritized to operationalize management of the air pollution from mobile sources. The Authority together with the relevant stakeholder is finalizing draft criteria and implementation framework so as to operationalize this regulation.

Public behavioural change is key in environmental management. The Authority has continued to facilitate and execute formal learning institution co-curricular activities through establishment of 16 model schools in Narok, Embu, Meru, Murang'a and Nyeri Counties. 12 NEMA Staff were trained on Basic Enforcement Course (BEC).

Delineation of riparian land is key in promoting conservation and management of aquatic and terrestrial ecosystems. In collaboration with WRA, the Authority managed to peg riparian land in the lower Nyongores within Mara River ecosystem. To enforce compliance with the provisions of EMCA Regulations on riparian reserves, 82 facilities within the Nairobi River area upstream, Mbagathi, Enchore Mune and Kandisi in Kajiado County inspected and compliance and enforcement actions taken against environmental pollution

from effluent and leachate. The Authority developed an Integrated Wetland Management Plan for Ondiri swamp and submitted it to the Cabinet Secretary for consideration and Gazettement.

To strengthen the regulatory framework for environmental management, the Authority concluded drafting of the Review of EMCA, 1999 and forwarded to the Ministry for further action. The Authority further finalized drafting of the Sand Harvesting Regulations and reviewed existing environmental legislation and guidelines on air quality. The EIA curriculum revision was initiated with 28 training institutions identified which participated in the review meeting.

The Authority contributed to the development of country position papers and participated in negotiations of MEAs and National reporting on MEAs. In this regard, NEMA Contributed to the development of 23 country position papers and participated in negotiations at various MEAs -UNFCCC, CBD/Nagoya, Montreal, Basel, Cartagena, Rotterdam, Ramsar and Nairobi Conventions/protocols.

To Promote Synergy in Management of Environmental Functions, the Authority undertook capacity building of County Environment Committees on devolved environmental functions where 9 counties namely; Machakos, Kajiado and Makueni Narok, Nairobi, Nakuru, Baringo, Kisii, Kakamega counties were trained.

To ensure the attainment of sustainable development goals 3 and 6 on good health and wellbeing, and clean water and sanitation respectively we undertook enforcement of environmental laws and regulations. The Authority processed and issued the following environmental Licenses 2,695 EDL, 4667 EIA, 2268 Waste, 2083 Experts, 139 Air quality, 3 ODS licenses and 71 Biodiversity.

During the reporting period, the Government reinstated EIA fees on developments that are likely to have impacts on the environment. This will go a long way in supporting the Authority to discharge her mandate and help the Authority to perform her functions as stipulated in EMCA 1999. All the affected parties are assured that NEMA will carry out these functions in a fair way guided by the criteria that has been developed together by the stakeholders and the given provision of the Act and the regulations also guided by the international standards that guide the EIA process.

We are also proud that our very own Director General was recently awarded the African Public Sector CEO of the Year Award in Accra Ghana during the 3rd Africa Public Sector Conference & Awards. Nema Kenya further scooped the African Environmental Regulator of the year Award. This award, I believe is a testimony and confirmation that the efforts of the Authority, amid the multitude of challenges, bears fruit that is recognized by stakeholders but more so contributes to the sustainable management of the environment. The Award, therefore, gives the Authority the challenge of doing more and being more innovative in order to continue giving leadership in the environment sector both at the national level and the regional level. I wish to congratulate the Director General on this achievement.

### **Challenges**

Inadequate funding coupled with low staffing levels pose the greatest threat to the achievement of our mandate. Low implementation of devolved environmental functions together with inadequate infrastructure also hamper our operations. Looking into the future, we see opportunities as well as new challenges that the Authority must deal with. The Board is keen on mobilizing resources to undertake all activities stipulated in the current strategic plan. We are grateful for the Government support in ensuring the Authority performs its functions as demonstrated in the approval of the organizational structure. However, there is need to allocate resources to support the implementation of the structure.

### **Corporate Governance**

My Board has continued to put in place policies and strategies that endeavour to steer the Authority to greater heights in environmental coordination and management. To strengthen the regulatory framework for environmental management, the Authority concluded drafting of the Review of EMCA, 1999 and forwarded to the Ministry for further action. The Sand Harvesting Regulations zero draft were developed. We reviewed existing environmental legislation and guidelines. The EIA curriculum revision was initiated with 28 training institutions identified which participated in the review meeting.

The appointment of six (6) new members the NEMA Board of Management by the Cabinet Secretary Ministry of Environment and Forestry enabled the board to transact its business effectively.

### **The future and Conclusion**

Although the Kenyan economy is expected to rebound in the financial year 2021/2022, full recovery is not assured due to possible future COVID-19 waves, delays in vaccination, increasing debt levels and rising inflation pressures. These factors if not timely addressed will negatively impact on the government's prioritization of the environmental conservation and protection agenda. We remain optimistic in the measures that have been put in place and being undertaken by the Government to spur economic growth which will in turn support the conservation and protection of the environment.

With all your support the Board will continue to provide policy direction in ensuring that the Authority delivers on its mandate and ensures that every citizen has access to a clean, healthy and sustainable environment.

### **Appreciation**

On behalf of my colleagues in the Board, I extend my sincere appreciation to the Government of Kenya through the Ministry of Environment and Forestry, our esteemed stakeholders, development partners, the management and staff of the Authority for their continued support and significant contribution towards ensuring a clean and healthy environment in the country.

.....  
**Eric Mungai, EBS**

**Chairman of the Board**

.....  
**Date**

**Nairobi**

14/03/2023

**V. Report of the Director General**

It is my privilege to present annual report and financial statement of the National Environment Management Authority for the fiscal year ended 30th June 2022. The financial reports include the statement of financial performance, statement of financial position, statement of changes in net assets, statement of cash flows, statement of comparison of budget and actual, and notes to the financial statements. Despite the socio-economic and political challenges facing the country, the Authority resiliently continued to pursue its mandate of ensuring sustainable management of the environment by supervising and coordinating environmental matters and being the principal instrument of Government of Kenya in the implementation of all policies relating to the environment in Kenya as entrenched in Environmental Management and Co-ordination Act 1999 (EMCA 1999) and Article 42 of the Constitution of Kenya

**Operations**

The National State of Environment 2019-2021 notes that Kenya's economy is highly dependent on natural resources, thus highly vulnerable to climate variability and change. Rising temperatures and changing rainfall patterns resulting in increased frequency and intensity of extreme weather events such as droughts and flooding threaten the sustainability of the country's development. It impacts ecosystems, water resources, food, health, coastal zones, industrial activity, and human settlements. Addressing these impacts presents opportunities for innovation, business, and improved livelihoods.

The Authority's operations in the fiscal year 2021/2022 were remarkable considering the country was recovering from the worst economic effects of the pandemic. With the resumption of in person services within the Authority, there was an increase in the demand of NEMA services by the public compared to the previous fiscal year.

In a bid to bring on board all facilities in compliance with various environmental regulations, the Authority continued mapping and updating our inventory of regulated facilities with new data from Kitui County. In our role of enforcing environmental legislation and standards, 214 Environmental Crimes and civil cases were prosecuted countrywide. The authority managed to process the following licenses; 2,695 EDL, 4667 EIA, 2268 Waste, 2083 Experts, 139 Air quality, 3 ODS licenses and 71 Biodiversity. We managed to undertake environmental audits where 1 Control audits and 90 Environmental compliance audits done. 51 Improvement Orders issued to various facilities countrywide.

Furthermore, 861 incidents were received and responded to, the environmental incidents are processed through the environmental Incident Management Unit (IMU). The Authority continued to enforce the ban on plastic bags where 561 Surveillance inspections and 80 Enforcement actions was carried out in 47 Counties targeting vendors, importers, border points and manufacturers. To increase the Authority's compliance and enforcement capacity, we trained 22 officers, these officers were from NEMA and from Kisumu, Kilifi, Garrisa, Uasin Gishu and Nairobi counties on principles of Compliance and Enforcement Course. The EIA curriculum revision was also initiated with 28 training institutions being identified and participating in the review meeting.

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In promoting sustainable natural resource utilization, we provided technical backstopping to Tana River and Lamu counties in the development of CEAPs and further monitored implementation of NEAP for stakeholders in Lamu, Tana River, Malindi, and West Pokot Counties. To Enhance Environmental Sustainability in Ministries, Counties, Departments and Agencies (MCDA), 44 MDA reports received reviewed and feedback given.

We continued to ensure conservation and management of aquatic and terrestrial ecosystems through enforcing compliance with the provisions of EMCA Regulations on riparian reserves in the Implementation of the Urban River Restoration Programme (URRP). 82 facilities within the Nairobi River area upstream, Mbagathi, Enchore Mune and Kandisi in Kajiado County inspected and compliance and enforcement actions taken against environmental pollution from effluent and leachate. Over 300 youths from groups along the Nairobi Ngong and Mathare rivers were engaged to maintain the rehabilitated areas.

Further, restoration of selected degraded aquatic and terrestrial ecosystems continued with an integrated Wetland Management Plan for Ondiri swamp was also developed and submitted to the Cabinet Secretary for consideration and gazette. The Authority further provided waste bins, benches, 1000 seedlings planted at Ondiri swamp, Eco-toilet constructed and launched. Restoration activities for phase 2 through fencing of 10ha. and planting of 10,000 seedlings in Enapuiyapui undertaken.

To strengthen the regulatory framework for Environmental Management, during the year, we concluded the review of EMCA (1999) and forwarded to Cabinet Secretary for further action. Sand harvesting regulations and air quality regulations were drafted and are awaiting stakeholder engagement which will be undertaken during the next financial year. The Authority further published the regulatory impact of the two regulations and invited comments from the affected and the general public.

In the year ended 30th June 2022, we joined the international community in celebrating the World Wetland Day, the World Desertification Day and the World Environment Day. We also worked closely with other agencies in the Ministry of Environment and Forestry towards achieving the President's target of 10% minimum forest cover by 2022. To this effect and through we planted tree seedlings in all the 47 counties.

We note the important role urban rivers play in the management of urban areas in the country. We continued with the implementation of the pollution control strategy for Nairobi River Basin by identifying and stopping waste sources polluting the river. 75 Facilities and sites within the Nairobi metropolitan area (Nyongara, Kirichwa kubwa, Kigwa River, Theta, Kamiti, Ruaka, Gitathuru, Riara and Kasarani River, , Nairobi, Athi, Kibwezi, Voi Sabaki and Galana ) were inspected and compliance and enforcement actions taken. Six (6) improvement orders and one (1) closure order were issued. Sewer line issues were reported to Nairobi City Water and Sewerage Company (NCWSCO) for repairs and unblocking.

To enhance environmental quality protection and conservation, we finalized and launched the State of Environment (SoE) report for 2019/2021. We have initiated the process of developing the NSoE 2022- 2024 with collection of primary and secondary data and information already done. The SoE report is an important tool for documenting timely, accurate and relevant information on various facets of the country's

environment in order to ensure their sustainable use. More specifically, it provides a basis for efforts to restore environmental integrity and to identify and respond to emerging environmental challenges such as climate change.

We have endeavoured to promote green economy by assisting industries adopt cleaner production approaches by the reduction of waste generation at source; enhancing capacities of county governments to engage with the private sectors in mainstreaming green economy approaches. To this end, we have recruited 15 facilities for compliance assistance. We undertook compliance assistance for 5 facilities in the Sugar industry namely Butali Sugar Industry, West Kenya Sugar industry, Kibos Sugar Industry, Sukari Industries and Trans Mara sugar industry.

### **Financial Performance**

The allocations received from the Exchequer allocations amounted to KES. 1.24 billion. Realized revenues amounted to KES. 1.65 billion which was a decrease of 9.7 % on KES 1.82 billion raised the previous year. The Authority has plans to diversify its revenues streams in order to boost the revenue base and reduce the over reliance on the Treasury exchequer. The Authority collected KES 196.40 million in Appropriations in Aid (AIA) compared to 319.69 million in the previous year. The Authority realized a deficit of KES 15.22 million.

Further, we realized a revenue of KES 209.13 million from development partners mainly through the Adaptation fund, Green climate Fund (GCF), Danida through Green Growth and Employment Program (GGEP) and the World Bank funded project Africa Environmental Health and Pollution Management Project. The Authority's expenses were KES 1.67 billion. This represents an 8.0% decrease from last years of KES 1.81 billion. Staff costs remain the major cost component accounting for 62% of total expenses.



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

14/03/2023

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**Date**  
**Nairobi**

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**VI. Statement of Nema’s Performance Against Predetermined Objectives for FY 2021/2022**

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

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

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

NEMA develops its annual work plans based on the above 6 pillars. Assessment of the Authority’s performance against its annual work plan is done on a quarterly basis. The Authority achieved the following performance targets set for the FY 2021/2022 period for its 6 strategic pillars, as indicated in the table below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Environmental Quality Protection and Conservation	To improve quality of environment	State of Environment Report	Develop NSoE 2022- 2024	Collected Primary, Secondary Data and Information
		SoE 2019 -2021 launched	Launch SoE 2019 -2021	SoE 2019-21 Launched
		Regulated facilities mapping report	Updating inventory and maps of regulated facilities	Regulated facilities database updated with new data from Kitui County
		% of cases prosecuted and defended	Undertake investigations and Prosecution of Environmental Crimes, Crime scene visits, Arrest operations	214 Environmental Crimes and civil cases investigated and attended to
		No. of licenses issued	Processing of various licensing regimes	2,695 EDL, 466 EIA, 2268 Waste, 2083 Experts, 139 Air quality, 3 ODS licenses and 71 Biodiversity permits issued
		% of laboratories accreditation applications processed	Designation & monitoring of gazetted environmental laboratories	13 applications evaluated, visited and Designated. 3 laboratories monitored
		No. of facilities Audited 2. No. of Orders Issued	Undertake Environmental Audits	1 Control audits and 90 Environmental compliance audits done. 51 Improvement Orders issued
		Published Register of Practising Environmental Experts	Vetting of Registered Environmental Experts	10 experts interviewed during the period and will continue in the FY 2022/23
% of incidents responded	Manage and Respond to Environmental incidents	<p><b>861</b> incidents received and responded to. These include: samples collected in Athi River, Machakos County following complaint of pollution.</p> <ul style="list-style-type: none"> <li>• Kenya Pipeline Oil spill case in Kisumu,</li> <li>• Bitumen spill in Mombasa Port,</li> </ul>		

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
				<ul style="list-style-type: none"> <li>Blockage of river by bagasse from Transmara Sugar company</li> <li>Sewage flowing into Nairobi National park leading to death of wildlife</li> </ul>
		No. of Air quality monitoring sites visited and reports prepared	Operationalize the management of air pollution from mobile sources	1 Meeting report for a Virtual taskforce meeting  Draft Criteria-85% complete Implementation Framework-70% complete.
		No. of Counties inspections undertaken targeting Vendors, importers and border points	Enforcement of the ban on single use plastic bag in Kenya	561 Surveillance inspections and 80 Enforcement actions done in 47 Counties targeting Vendors, importers, border points of the plastic ban, manufacturers.
	<b>To promote sustainable natural resource utilization</b>	No. of monitoring reports	Monitor Implementation of NEAP	2 Workshops held with stakeholders in Lamu, Tana River, Malindi, and West Pokot Counties
		Number of Counties supported	Provide Technical Backstopping in the development of CEAPs to selected counties	Meetings held with CECs and Committees of County Assembly on Environment for Tana River and Lamu counties for technical backstopping on CEAPs
		% of Quarterly MCDA Reports reviewed	Enhance Environmental Sustainability in Ministries, Counties, Depts and Agencies (MCDA)	44 MDA reports received reviewed and feedback given
		No. of MDAs and Lead agencies trained on Environmental sustainability	Train MDAs and Lead agencies on environmental sustainability	3 lead agencies 35 participants Public service commission, sacco regulatory authority staff, 20 members of Kentrade online training
	<b>To promote public behavioral change in environmental management</b>	No. of demonstrations facilitated and established	Facilitate and execute formal learning institution co-curricular activities	16 model schools in Narok county facilitated with water 6 tanks, 200 tree seedlings and 100 bee hives Identified 4 schools one in each of the 4 counties Karurumo school Embu, Muthangene primary School Meru, Muranga and Kiahagu sec school Nyeri  Distributed 400 tree seedlings 100 in each school and awareness materials Tree seedlings planted in the schools
		No. of stakeholders in water sector sensitized	Sensitize regulated community on environmental laws and MEAS	Identified the 10 stakeholders around Nairobi but activity constrained by inadequate funding
		No. of NEMA Officers trained on Basic Enforcement course	Undertake training on Basic Enforcement Course (BEC) for NEMA and County staff	12 NEMA Staff identified and Trained at Westwood Hotel Kajiado, Tana River, Mombasa, Nairobi, Vihiga Bungoma, Narok

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
		No. of officers from NEMA and the County Government trained on POC	Undertake Principles of Compliance and Enforcement Course for NEMA and County staff	Trained 22 officers from NEMA and Kisumu, Kilifi, Garrisa, Uasin Gishu and Nairobi counties
		No. of Exhibitions mounted in Green Points and ASK shows	Sensitize the public on environmental issues	Mounted exhibition mounted in Siaya green point and Devolution conference in Makueni County
<b>Pillar 2: Ecological Integrity of Ecosystems</b>	<b>To promote conservation and management of aquatic and terrestrial ecosystems</b>	No. of riparian wetland Delineated	Delineate riparian lands for selected water bodies to determine encroachment	Sensitization workshop held, -riparian land pegged and delineated in the Lower Nyongores within mara River ecosystem in collaboration with WRA
		No. of enforcement activities undertaken	Enforce compliance with the provisions of EMCA Regulations on riparian reserves: Implementation of the Urban River Restoration Programme (URRP)	82 facilities within the Nairobi River area upstream, Mbagathi, Enchore Mune and Kandisi in Kajiado County inspected and compliance and enforcement actions taken against environmental pollution from effluent and leachate  Engaged 22 youth to maintain the rehabilitated areas  Engaged 300 youths from groups along the Nairobi Ngong and Mathare rivers, in meetings online supported by Action Aid  NB: Establishment of 2 Green spaces, preparing documentary and procurement of Automated water quality testing equipment not procured due to No funds disbursed. Activity planned in next quarter.
		No. of Trees Planted	Rehabilitation and restoration of dryland degraded sites - Planting of trees in allocated sites in the Country	Planted 1000 seedlings within the catchment area Conducted clean-up in Kisima centre in Samburu
		No. of sites rehabilitated and restored	Undertake Rehabilitate and restore degraded sites in Chalbi sites/regions	Contract awarded, gate in place and fencing ongoing. To be completed in the FY 22/23
	<b>To restore selected degraded aquatic and terrestrial ecosystems</b>	No. of Reports on rehabilitation of the wetlands	Assess and rehabilitate 2 degraded water bodies	Stakeholders' workshop held to collate data for lake Jipe
		IWMP for Ondiri swamp developed	Development of Integrated Wetland Management Plan for Ondiri swamp	Wetland Management Plan for Ondiri swamp and submitted to the Cabinet Secretary for consideration of Gazettement

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
		% of Restoration activities carried out	Carry out restoration activities in Ondiri and Enapuiyapui wetlands	Restoration activities for phase 2 through fencing of 10ha. and planting of 10,000 seedlings in Enapuiyapui undertaken.  Provision of waste bins, benches, 1000 seedlings planted at Ondiri swamp, Eco-toilet constructed and launched
<b>Pillar 3: Climate Change</b>	<b>To support reduction and monitoring of Green House Gases (GHG) emissions</b>	No. of reports prepared	Establish a regulatory framework for GHG emissions-Finalizing drafting on the GHG MRV tools for waste & waste water sectors	NEMA GHG Technical Committee participated in the virtual validation meeting for the Climate Change (Public Participation and Access to Climate Change Information) Regulations 2021  Technical validation workshop for the MRV regulations Organized in collaboration with MEF and UNDP, u
	<b>To mobilize and deploy climate Finance</b>	No. of Countries supported	South South Cooperation initiatives for Botswana and Mozambique	Country meeting held with Botswana team
		AF Documentary	Develop Adaptation Fund Documentary	Contract awarded and 3 sites documented
			Procure goods and services for the Executing Entities on the implementation of Adaptation Fund & GCF Projects	Tenders advertised and evaluation carried out during the period: <ul style="list-style-type: none"> <li>• Drilling of 9 boreholes and equipping them</li> <li>• Construction of 2 sump wells and accompanying structures</li> <li>• Fencing works for 7 adaptation villages and construction of basic training halls</li> <li>• Construction of 2 Djabias in Kwale county</li> </ul>
	<b>Support implementation of CCA, NAP, NDC, NCCAP</b>	Air quality monitoring reports ( <b>PC Target</b> Nairobi, Mombasa and Kisumu	Undertake Ambient Air quality monitoring in Thika, Nakuru, Eldoret, Nairobi, Mombasa and Kisumu	Ambient Air quality monitoring in Thika, Nakuru, Eldoret, Nairobi, Mombasa and Kisumu undertaken
<b>Pillar 4: Environmental Governance &amp; Coordination</b>	<b>To Strengthen the Regulatory Framework for Environmental Management</b>	EMCA Bill	Review of EMCA, 1999	Drafting concluded and Bill forwarded to the Ministry for further action
		Sand Harvesting Regulations	Development of the Sand Harvesting Regulations	Zero draft prepared
		Air Quality Regulations	Review existing and develop environmental legislation and guidelines-Air quality	Prepared an advert on the regulatory impact of the Air Quality Regulations and approval given.  <b>NB:</b> Stakeholder meetings not held due to inadequate funds. To be

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
				undertaken in the next Financial Year
		No. of review meetings	Review EIA curriculum	Identified 28 training institutions and review meeting held. To be finalised in the FY 2022/23
		No. of persons sensitised on environmental legislation and guidelines	Create awareness on environmental legislations and guidelines	Created awareness during Cleanup activity in Kayole 150 youths, Climate change awareness in Mukuru kwa Reuben, 100 youths, Elgeyo Markwet Expo, at green point 200 participants  5,000 participants were sensitized Created awareness on NEMA regulations on solid waste, Water quality, during World Environment Day,
		WDDD 2022 commemoration report ( <b>PC Target</b> )	Perform international obligation under MEAs)	WDDD commemorated and - Presided over by the cabinet secretary -Attended by lead agencies, community, Development partners, -17 Exhibitors to raise awareness on environmentally friendly technologies -Community aided to enhance their resilience 10 Goats, 4 water tanks, 4 irrigation pumps, 17 balls, 100 beehives, 5050 trees seedlings planted, clean up at Marigat
		Wed Commemorated		Wed commemoration held in Nyeri with tree planting 133,000. Exhibition and clean up
		WWD Commemorated		Exhibition mounted during the WWD event at Ondiri swamp Kikuyu
		No of COPs participated No. of country papers developed No. of National reports prepared	Contribute to the development of country position papers and participate in negotiations of MEAs and National reporting on MEAs	Contributed to the development of 23 country position papers and participated in negotiations at various MEAs - <b>UNFCCC</b> , CBD/Nagoya, Montreal, Basel, Cartagena, Rotterdam, Ramsar and Nairobi Conventions/protocols
	<b>To Promote Synergy in Management of Environmental Functions</b>	No. of counties trained in DEF legislation	Undertake capacity building of County Environment Committees on Devolved Environmental Functions	Trained 9 counties, Machakos, Kajiado and Makeni Narok, Nairobi, Nakuru, Baringo, Kisii, Kakamega on Devolved Environmental Functions
<b>Pillar 5: Green economy for Sustainable Development</b>	To promote sustainable blue economy	No. of reports	Coordinate environmental activities implemented by stakeholders under Integrated Coastal Zone Management Plan	ICZM steering committee meeting held

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
		No. of Capacity building meeting reports	Enhance stakeholder capacity in the use of ICZM as a tool for conservation of marine and coastal environment	Technical stakeholder meeting held in Taveta-lake Jipe
		No. of Wetland inventories for the wetlands in counties developed	Inventorize wetlands in Lamu and Laikipia counties	Assessment undertaken with support from Wetlands International Mapped wetlands included Amu, Mokowe, pate, mahrusi, sheella, subra
	<b>Clean up of upstream Thwake dam and its Catchment</b> through the Athi-Galana-Sabaki River pollution control strategy	Implementation progress reports	Coordinate implementation of Marine Litter Management Action Plan-	Launched and disseminated the action plan during UNEA 5.2 as well as during the ICZM Steering Committee meeting
		% of illegal discharges stopped	Identification and stoppage of illegal discharges in water bodies	75 Facilities and sites within the Nairobi metropolitan area (Nyongara, Kirichwa kubwa, Kigwa River, Theta, Kamiti, Ruaka, Gitathuru, Riara and Kasarani River, , Nairobi, Athi, Kibwezi, Voi Sabaki and Galana ) were inspected and compliance and enforcement actions taken. Six (6) improvement orders and one (1) closure order were issued. Sewer line issues were reported to Nairobi City Water and Sewerage Company (NCWSCo) for repairs and unblocking.
		Monitoring reports with recommendations	Monitor pollution patterns in water bodies including marine litter and marine plastics waste	Monitoring undertaken as a build-up to World Oceans Day
		Status Report	Undertake situation analysis of the Upper Athi Sabaki River contribution to pollution	A situation analysis was undertaken along the drainage basin, covering the upper and midstream section of the Athi-Galana-Sabaki river
		No. of programmes implemented	Develop training and awareness programmes on Sustainable Blue economy	Draft concept on education and awareness sustainable blue programme developed
	<b>To promote green economy</b>	No. of industries adopting cleaner production	Promote cleaner production approaches to industry for reduction of waste generation at source; enhance capacities of county governments to engagement the private sectors to mainstream GE approaches	Recruited 15 facilities for compliance assistance. Undertook compliance assistance for 5 facilities in the Sugar industry: Butali Sugar Industry, West Kenya Sugar industry, Kibos Sugar, Industry, Sukari Industries Transmara sugar industry
<b>Pillar 6: Institutional Capacity</b>	<b>To Strengthen Corporate Governance</b>	Quarterly Board reports	Facilitate Board meetings /Activities	Board meetings and activities held as planned
	<b>To Enhance NEMA's Corporate Image</b>	% of corporate activities and events covered	Implement corporate communications strategy	Provided coverage for the following activities; -Clean up the world celebrations -Launch of Nairobi river/Thwake dam inspections

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
				<ul style="list-style-type: none"> <li>-Launch of Enapuipuyi wetland restoration,</li> <li>-GCF readiness and gender training</li> <li>-Inauguration of new board</li> <li>-WWD, WDDD, WED commemorations</li> <li>-Launch of Siaya Green Point</li> <li>-Legal award 2021</li> <li>-Devolution conference</li> <li>-Compliance assistance</li> <li>-Antimicrobial conference</li> <li>-Karen Golf tournament</li> <li>-South South Cooperation for Botswana and Mozambique.</li> <li>-UNEA 5.2 resolve to end plastic pollution</li> <li>-Managing organic waste in Meru</li> <li>-Saving Ondiri wetland</li> <li>-Climate change adaptation in Kitui</li> <li>-Launch of Lake Olbolossat management plan</li> </ul>
		No of Media engagements		-Organized media in the following stations; KBC TV, Radio Citizen and Egessa FM appearances for Board and Management during the World Environment Day celebrations, World Oceans Day, World wetlands Day, World Desertification & Drought Day, School greening Programme in Narok County, Award on African Public Sector Regulator/CEO of the year and UNEA 5.2
		No. of branded merchandise		Branded merchandise procured (Shirts, polo shirts, safari hat, notebooks, pens and gift bags), tear drop banners
		No. Mac desktop procured to support video editing		Mac desktop procured to support video editing
		Action Plan developed	Implement Corporate Social Responsibility strategy	Donated 20 beehives to groups in Mt. Kulai in Marsabit County
		No. of CSR activities implemented		
	<b>To Strengthen Human Capital</b>	Updated institutional skills inventory report	Update institutional skills inventory	Updated institutional skills inventory report
		TNA report	Train and Develop Staff	Training Need Assessment report prepared
		No. of staff trained		Induction training for 27 employees undertaken and 235 staff trained on various courses
		No. of interns and attachees hosted	Youth Internships/Industrial Attachments/Apprenticeships	Offered 464 Youth Internships/Industrial Attachments/Apprenticeships against a target of 330

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
		Approved Policy & Guidelines	Develop mentoring & Coaching Policy/guidelines	Drafted mentoring & coaching policy/guidelines
		Level of implementation	Implement ISO Standards	Internal and external ISO Audit undertaken and retained Certificate
		Approved Performance Contract	Coordinate Performance Contract	Performance Contract for FY 2021/22 prepared and implemented
		Quarterly work plans and performance Contract reports		Quarterly work plans and performance Contract reports prepared
		M & E Reports	Monitor and evaluate the implementation of NEMA programmes and activities	Monitored 4 Sewerage treatment facilities, Elgeiyo Marakwet green point and Mombasa county on status of undertaking climate change duties
		% Maintenance of buildings, assets & equipment undertaken	Undertake maintenance of buildings, assets & equipment (Painting of Eland house and Block B, Renovation of security house at the gate, tilling of CPS office, refurbishment of Lamu office and one other green point)	Undertook maintenance of buildings, assets & equipment (Painting of Eland house and Block B, Renovation of security house at the gate, refurbishment of Lamu office)
		No. of Mechanisms put in place	Safety and Security Measures	Renewed antivirus and Security contracts, CCTV cameras in place and functional, Fire and security alarms serviced and functional
		% of Information on assets established & secured	Establish information assets and secure them.	Information Assets register established
		No. of Computers procured	Procure 30 computers	Procured 30 Computers to facilitate staff undertake their duties
		Approved Records Management Policy	Records Management	Recorded policy developed and approved
			Cross cutting policies mainstreamed (Gender, ADA, Road safety, HIV&AIDS, Disability and National Cohesion and values, Corruption prevention)	Implemented cross cutting issues as per the Performance Contract targets
		Procurement of Staff and Asset Insurance Cover	Insurances	Staff and Asset Insurance Cover procured
		No. of proposals funded	Develop bankable project proposals	5 project proposals developed
		Financial and Audit reports	Adhere to the Public Financial Management Act 2015(PFM Act 2015) and best financial management practices	Financial statements prepared and submitted as required
		Stock taking report	Conduct Stock taking	Stock taking undertaken at HQ and Counties
		Laboratory Equipment and consumables	Equip Laboratories	Calibration of Mobile Air Quality Lab GRIMM Environment Dust Monitor in South Africa undertaken
		Recorded information of the Service Charter	Customize the charter by providing audio recordings and uploading the Charter	Service charter audio recordings prepared and uploaded on the website

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
			on the MDA's online platforms	
		Internet Upgrade (from 1mbps to 5 mbps)	Modernize and Upgrade ICT/GIS Infrastructure	Upgrade of Internet connectivity done in all the five offices (Machakos, Mombasa, Nakuru, Eldoret, Kisumu and Nairobi Counties)
		Gap Analysis Report	Implement Information Technology Infrastructure Library (ITIL)	Gap analysis undertaken
	<b>Risk Management</b>	No. of staff sensitized/trained	Mainstreaming Institutional Risk Management Framework	175 staff sensitized on Risk Management
		Audit reports	Plan and conduct compliance, Financial and systems audit in 30 Counties	Financial report Audited Information system Audited 30 Counties Audited

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

**VII. Corporate Governance Statement**

**Establishment and composition of the board:**

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

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

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

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

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

**Board Committees**

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

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

**Finance and Human Resource Committee**

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

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

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

The following were the members of the Committee:

- a) Ms. Shanu Abudho - Chairperson
- b) Ms. Isabellah Kogei
- c) Ms. Annie Syombua
- d) Ms. Lul Abdiwahid
- e) Mr. Charles Mulila

#### **Audit, Governance and Risk Management Committee**

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

The following were the members of the Committee:

- a) Mr. Samson Nyangeso – Chairman
- b) Ms. Isabellah Kogei
- c) Mr. Alex Mbuvi
- d) Mr. Charles Mulila
- e) Mr. Jeremiah Motari

#### **Environmental Management and Conservation Technical Committee**

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

The following were the members of the Committee:

- a) Mr. Charles Mulila - Chairperson
- b) Ms. Shanu Abudho
- c) Mr. Samson Nyangeso
- d) Ms. Lul Abdiwahid
- e) Ms. Annie Syombua

**Strategy, Legal and Resource Mobilization Committee**

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

The following were the members of the Committee:

- a) Ms. Lul Abdiwahid – Chairman
- b) Mr. Alex Mbuvi
- c) Ms. Shanu Abudho
- d) Mr. Samson Nyangeso
- e) Mr. Charles Mulila
- f) Mr. Jeremiah Motari

**Board Meetings**

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

Name	Ordinary Meetings	Special Meetings	Other Meetings	Total Meetings
John Konchellah	7	3		10
Lul Abdiwahid	16	8	4	28
Annie Syombua	17	12	1	30
Charles Mulila	22	11	5	38
Alex Mbuvi	3	6		9
Samuel Nyangeso	20	8	5	33
Shanu B Abudho	19	15	5	39
Mamo B M	4	2		6
Chrisologus A Makokha	5	4	1	10
Isabella Kogei	19	14	3	36
Jeremiah Motari Matunda	13	2	3	18

**Full board meetings**

During the year, the Board of Directors held a total of 9 meetings outlined as follows, 4 ordinary full board meetings, 3 special board meetings and 2 adhoc committee meetings.

Board Members	Ordinary	Special	Adhoc committee	Grand Total
John Konchellah	6	3		9
Lul Abdiwahid	10	4	4	18
Annie Syombua	10	4	1	15
Charles Mulila	9	4	5	18
Alex Mbuvi	2	4		6
Samuel Nyangweso	8	3	5	16
Shanu B Abdudho	9	4	5	18
Mamo B M	4	1		5

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Chrisologus A Makokha	3	1	1	5
Isabella Kogei	10	3	3	16
Jeremiah Motari Matunda	7		3	10

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

The committee held a total of 5 meetings with 4 ordinary committee meetings and 1 special meeting as detailed in table below.

Members	Ordinary	Special	Grand Total
Samuel Nyangeso	4	3	7
Alex Mbuvi	1	1	2
Chrisologus A Makokha	1	1	2
Charles Mulila	4	3	7
Isabella Kogei	3	3	6
Jeremiah Motari Matunda	3	2	5

**Environmental Management and Conservation Technical Committee (EMCTC) meetings**

In the Financial Year 2021-22, the Technical Committee of the Board of management held 6 meetings in total consisting of 3 ordinary meetings of the committee and 3 special meetings as tabulated below.

Members	Ordinary	Special	Grand Total
Charles Mulila	4	1	5
Samuel Nyangeso	4	1	5
Shanu B Abudho	4	1	5
Lul Abdiwahid	2	1	3
Annie Syombua	3		3
J Motari Matunda	2		2
Isabella Kogei	2		2

**The Finance and Human Resource Committee**

During the Financial Year, 2021-22 the Finance and HR committee exercised its financial oversight role by holding 9 meetings in total. The breakdown of the meetings is as follows, 5 Ordinary meetings and 4 special committee meetings.

Members	Ordinary	Special	Grand Total
Shanu B Abudho	3	8	11
Chrisologus A Makokha	1	2	3
Lul Abdiwahid	2	2	4
Isabella Kogei	3	8	11
Charles Mulila	2	2	4
Mamo B M		1	1
Annie Syombua	3	8	11
Jeremiah Motari Matunda	1		1

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Samuel Nyangeso

1

1

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

A total of 5 meetings of the committee were held during the 2021-22 financial year. In summary, 4 ordinary meetings and 1 special committee meeting were held.

Members	Ordinary	Special	Grand Total
Lul Abdiwhid	2	1	3
Shanu B Abudho	3	1	4
Samuel Nyangeso	3	1	4
Charles Mulila	3	1	4
Alex Mbuvi		1	1
John Konchellah	1		1
Jeremiah Motari Matunda	3		3
Annie Syombua	1		1
Isabella Kogei	1		1

**The Role of the Board**

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

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

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

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

**Board effectiveness**

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

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

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

#### **Director's remuneration**

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

#### **Statement of Compliance**

The Board of Directors confirms that National Environment Management Authority has throughout the 2021/2022 financial year complied with the entire Statutory and Regulatory requirement and that the Authority has been managed in accordance with the principles of Corporate Governance.

#### **Internal control and risk management:**

##### **Internal Control**

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

##### **Standing Instructions**

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

##### **Organization Structure**

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

##### **Strategic Plan**

The business of the Authority is determined by the Strategic Plan. The Strategic Plan sets out the objectives of the Authority, and the annual targets to be met to attain those objectives. The Strategic Plan is evaluated annually to assess the achievement of those objectives. The Board on an annual basis approves the work

plan supported by the financial plan for the year. Progress against the plan is monitored on a quarterly basis.

#### **Internal Control Framework**

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

The Audit Committee considers significant control matters raised by management and both the internal and external auditors and reports its findings to the Board. Where weaknesses are identified, the Audit Committee ensures that management takes appropriate action. No significant control failures or weaknesses were identified during 2021/2022.

#### **Risk Management**

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

#### **Management Team**

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

**VIII. Management Discussion and Analysis**

**Operational Performance**

The NEMA Strategic Plan sets out NEMA's vision, mission, goals and objective to ensure achievement of positive outcomes for our environment. The plan provides a road map for NEMA to achieve its mandate of ensuring a clean and health environment for all. We hope to propel the Authority to greater heights in environmental management. My Board has continued to put in place policies and strategies that endeavour to steer the Authority to greater heights in environmental coordination and management. To improve quality of environment, the primary and secondary data and information was collected to develop the National State of Environment report for FY 2022/22.

In the previous financial year, the Authority operationalized the environmental incident management unit which coordinates responses to environmental cases reported to the institution through the set-out channels. During the year, 861 environmental incidents were received, classified and responded to. The authority is mandated to undertake compliance and enforcement of the environmental regulations in place. In the financial year under review the Authority processed 2,695 effluent discharge licenses for regulated facilities. This was enabled by the development and regular updating of an inventory and mapping and risk categorization of regulated facilities database in all counties. EIA licences totalling 4667 were processed.

Air pollution is one of the biggest threats to global health today. As the world experiences global warming, increase in population and industrial growth which continue to pump out dirty emissions, this coupled with the ever-increasing vehicular emissions the air continues to be polluted on a daily basis. The situation is exacerbated by the fact that half the world has no access to clean fuels or technologies (e.g. stoves, lamps). This has far reaching implications on health, environment, and the future of human society. To this end, we continued to monitor air quality in Nairobi, Mombasa and Kisumu. A Concept on Automatic Air Quality Monitoring System for Kenya was developed which intends to monitor and analyze air quality in real-time and log data to a remote server, keeping the data updated over the internet. The Authority also is in the process of operationalizing the management of air pollution from mobile sources.

To promote conservation and management of aquatic and terrestrial ecosystems, we undertook the following activities:

- Developed an Intergrated Wetland Management plan for Ondiri Swamp and submitted it to the Cabinet Secretary for consideration of Gazettement.
- Stakeholder workshop to collect data for lake Jipe in order to assess and rehabilitate the degraded water body.
- Reclaimed and restored 2 wetlands (Ondiri swamp in Kiambu and Enapuiyapui swamp in Mau) where Restoration activities in the 2<sup>nd</sup> phase through fencing of 10ha and planting of 10,000 seedlings in Enapuiyapui. Waste bins, benches were provided at Ondiri Swamp where also 1,000 seedlings were planted and an Eco-toilet constructed and launched.
- Also, undertaking a clean-up in Kisima centre in Samburu and planting of 1,000 seedlings within its catchment area.

### **Financial Performance**

The allocations received from the Exchequer allocations amounted to KES. 1.24 billion. Realized revenues amounted to KES. 1.65 billion which was a decrease of 9.7 % on KES 1.82 billion raised the previous year. The Authority has plans to diversify its revenues streams in order to boost the revenue base and reduce the over reliance on the Treasury exchequer. The Authority collected KES 195.96 million in Appropriations in Aid (AIA) compared to 319.69 million in the previous year. The Authority realized a deficit of KES 16.20 million.

Further, we realized a revenue of KES 209.13 million from development partners mainly through the Adaptation fund, Green climate Fund (GCF), Danida through Green Growth and Employment Program (GGEP) and the World Bank funded project Africa Environmental Health and Pollution Management Project. The Authority's expenses were KES 1.67 billion. This represents an 8.0% decrease from last years of KES 1.81 billion. Staff costs remain the major cost component accounting for 62% of total expenses.

### **Key Projects**

In the financial year, NEMA Continued to implement the "Integrated Programme to Build Resilience to Climate Change; Adaptive Capacity of Vulnerable Communities in Kenya" under United Nations Framework Climate Change Convention (UNFCCC). The project sponsor is The Adaptation Fund Board. The overall objective of the programme is to enhance resilience and adaptive capacity to climate change for selected communities in various Counties in Kenya in order to increase food security and environmental management. The project also has 3 Executing Entities (EEs) and 8 Sub-Executing Entities (Sub-EEs). During the year, the Authority undertook most construction projects under this programme after centralization of the procurement process at NEMA.

The Authority also started implementing the World Bank funded project Africa Environmental Health and Pollution Management project. The total cost of the project is USD 8,073,395 and the project duration is from 2020 – 2025. In Kenya, the National Environment Management Authority (NEMA) is the executing agency and the project main objective is to strengthen institutional capacity to manage and regulate e-waste and related UPOPS in Kenya. The project is founded on the basis that Electronic and e-waste commonly referred to as e-waste is emerging as one of the most critical environmental challenge globally, regionally and nationally. Currently e-waste accumulation is reaching unsustainable level and owing to management challenges, they are becoming a major source of environmental pollution and can lead to severe human health and environmental hazards

The Authority through the Development Grant – Centre of Excellence is constructing the Marsabit, Nyandarua and Nyamira County green points.

### **Entity's compliance with statutory requirements**

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

**Risk Management**

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

**Major risks facing the entity**

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

**IX. Environmental and Sustainability Reporting**

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

**i) Sustainability strategy and profile**

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

**ii) Environmental performance**

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

**Policy Objectives**

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

The Kenya National Environmental Performance Index (KEPI) is one of the Authority's success stories in environmental sustainability. KEPI is a new environmental management frontier championed by the National Environment Management Authority (NEMA) to lead to further creation of opportunities in environmental management knowledge, skills and experience at National and County levels. This report presents the baseline results for the KEPI and County EPIs'. The report was developed in close consultation

with the line ministries, government departments, government agencies, County officers and private sector institutions.

### **Purpose and Objectives of the KEPI**

The EPI provides a tool for continually assessing progress towards established targets for priority setting and potentially for resource allocation. This tool assists the MDAs and line ministries to lobby decision makers for appropriate resource allocation in underperforming areas. Other objectives of the EPI are to:

1. Be part of a knowledge management system aimed to inform future policy and programming, thereby contributing to the promotion of policy dialogue
2. Acts as a tool for enhancing compliance and enforcement
3. Assist in building collaborative partnerships between the public and the private sector
4. Act as a supportive tool for capacity development

The KEPI also evaluated all the 47 counties based on County indicators agreed upon with stakeholders.

Other milestones the Authority has made in environmental sustainability include;

1. Reviewing of EMCA, 1999 so as to strengthen the regulatory framework for Environmental Management,
2. Implementation on the Ban of single use plastic bag
3. Green points design and construction incorporated aspects such as rainwater harvesting, waste water recycling technologies, low energy consumption, among other features in order to practically interpret the green economy concept in our context here in Kenya.
4. Development of environmental sustainability curriculum for internal and external clients training
5. Implementation of the pollution control strategy for Nairobi River Basin

### **Challenges**

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

#### **iii) Employee welfare**

NEMA has human resource policies and procedures manual which guides on the recruitment process from vacancy identification to new hire induction. The policy takes into account the gender, women and disability

considerations. On careers, we have a progressive career guideline. Biannual and annual staff performance appraisals are conducted and rewards and sanctions determined.

**iv) Market place practices**

Access to Government Procurement Opportunities (AGPO): The Authority strictly adheres to the Presidential directive on Access to Government Procurement Opportunities (AGPO) which include to youth, women and PWDs as individuals or in organized groups. The Authority prequalified the registered groups as affirmative action. The three (3) target groups were trained on government procurement procedures, requirements. The Authority also submitted to PPRA a summary of procurements allocated to the target group in the format provided in the PPRA website, [www.tenders.go.ke](http://www.tenders.go.ke) and also submitted to National Council for Persons with Disabilities (NCPWD) a summary of procurement opportunities allocated to Persons with Disabilities (PWD).

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

**v) Corporate Social Responsibility / Community Engagements**

The Authority is committed to uplifting the standards of living of the communities' areas it operates in all over the country. As a supervisor and coordinator of all environmental matters in Kenya, our work and conduct are driven by the Authority's core values. The Authority's CSR program is focused on creating and maintaining a strong bond with the community and its stakeholders. To this end, the Authority's CSR initiatives provide communities with opportunities for engagement that touch on the three (Environmental, Economic and Social) broad CSR pillars.

During the financial year, the Authority undertook the following CSR activities;

- 16 model schools in Narok county were facilitated with water through donation of 6 water tanks. In addition, 200 tree seedlings and 100 bee hives were donated.
- The Authority donated 20 beehives to groups in Mt. Kulai in Marsabit County.
- Distribution of 400 tree seedlings, 100 in Karurumo school Embu, Muthangene Primary School Meru, Muranga and Kiahagu Secondary School in Nyeri.

**X. Report of the Directors**

The directors submit their report together with the audited financial statements for the year ended 30<sup>th</sup> June 2022, which disclose the state of affairs of the Authority.

**Principal activities**

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

**Results for the year**

The results for the year ended June 30, 2022 are set out in page 1.

**Directors**

The members of the Board of Directors who served during the year are shown on page V-VIII.

**Surplus Remission**

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into the Consolidated Fund, ninety per centum of its surplus funds reported in the Audited Financial Statements after end of each Financial year.

In the current financial year 2021/2022 the Authority has reported a deficit in the interim financial statements of KES 16.20 million and there for there is no surplus due for remission. However, KRA owes the Authority an overpayment of KES 19.81 million.

**Auditors**

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

By order of the Board.



.....  
**Mr. Eric Mungai, EBS**  
**Chairman of the Board**

14/03/2023

.....  
**Date**  
**Nairobi**

**XI. Statement of Directors' Responsibilities**

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

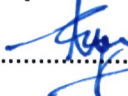
The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2022. These responsibilities include:

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

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2022, and of the entity's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control. Nothing has come to the attention of the Directors to indicate that the entity will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Authority's financial statements were approved by the Board on 23<sup>rd</sup>/9/2022 and signed on its behalf by:

  
.....

**Mr. Eric Mungai, EBS  
Chairman of the Board**

Date..... 14/03/2023

  
.....

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

Date..... 14/03/2023

# REPUBLIC OF KENYA



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## **REPORT OF THE AUDITOR-GENERAL ON NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2022**

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### **PREAMBLE**

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of National Environment Management Authority set out on pages 1 to 28, which comprise of the statement of financial position as at 30 June, 2022, statement of financial performance, statement of

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

In my opinion, the financial statements present fairly, in all material respects the financial position of National Environment Management Authority as at 30 June, 2022, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Environmental Management and Co-ordination Act, 2015.

### **Basis of Opinion**

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

### **Key Audit Matters**

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

### **Other Matter**

#### **1. Budgetary Control and Performance (Revenue)**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis totaling to Kshs.1,857,900,000 and Kshs.1,657,489,000 respectively resulting to under collection of Kshs.200,411,000 or 10.7% of the budget.

The under-performance in revenue collection affected the planned activities of the Authority and may have impacted negatively on service delivery to the public.

#### **2. Receivables from Non - Exchange Transactions**

The statement of financial position reflects a balance of Kshs.143,766,000 in respect of receivables from non-exchange transactions. The balance also includes Kshs.40,013,000 other debtors which further includes Kshs.306,000 said to have been erroneously remitted by NEMA to the State Officers House Mortgage Scheme Fund (State Department for Housing and Urban Development). The balance dates back to the year 2019 and the Management has not recovered the funds.

In the circumstances, recovery of the receivables balance of Kshs.306,000 is in doubt.

# 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 Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections 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**

### **1. Failure to Adopt E-Procurement**

During the year under review, the Management undertook various procurements including construction, purchase of motor vehicles, consultancies and supply of goods and services among others. The procurements were manually processed despite NEMA having an ERP Web-based system which has a procurement module. Failure to adopt the E-procurement was contrary to Executive Order No.6 of 06 March, 2015 and The National Treasury Circular No.6/2015, which directed all public entities to migrate to E-procurement by June, 2015.

In the circumstances, Management was in breach of the Executive Order.

### **2. Board Expenses**

#### **2.1 Irregular Board Meetings and Expenditure Beyond the Recommended Threshold**

During the year under review, the Board held seven (7) sittings at a total cost of Kshs.4,319,756 and which were not in the 2021/2022 financial year approved Board's work plan. This was contrary to the Head of Public Service Circular Ref.OP/CAB.9/1A dated 11 March, 2020 which requires all Board of Directors to submit their annual plan to State Corporations Advisory Council by 30 June of each year. In addition, the Board held nine (9) special meetings at a total cost of Kshs.2,583,242 without evidence of approval by the Cabinet Secretary as required by the circular.

Further, the Board expenditure of Kshs.32,428,000 exceeded 5% of operations and maintenance budget of Kshs.85,000,000 by an amount of Kshs.2,428,000 contrary to the circular which capped Board expenditure at a lower of Kshs.30 million or 5% of operations and maintenance budget.

#### **2.2 The Board Engaging in Management Functions**

Included in the Board expenditure totaling Kshs.32,428,000 is an amount of Kshs.3,551,742 which relates to sitting allowance, mileage and daily subsistence allowance paid to Board Members for field inspection visits contrary to Chapter 1.22 of Mwongozo Code of Governance for State Corporations which stipulates that the role of the Board should clearly be separated from that of Management.

In the circumstances, the Board was in breach of the directives and may have usurped Management functions.

### **3. Failure to Establish Restoration Fund**

In the year under review, the Authority had not established a National Environment Restoration Fund as per Section 25 of the Environment Management and Coordination Act, 1999. The Fund is to act as a supplementary insurance for mitigation of environmental degradation where the perpetrator is not identifiable.

In the circumstances, the Authority may not be able to restore the environment in case of environmental degradation.

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

#### **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

##### **Conclusion**

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

##### **Basis for Conclusion**

###### **1. Lack of Effective Controls on License Papers**

During the year under review, the Authority contracted firms to supply license papers. However, audit review of the suppliers' records and licensing process revealed the following issues:

- (i) Suppliers engaged during the period were general stationery suppliers instead of approved security documents printing firms based on sensitivity of the licences.
- (ii) The orders were issued to various suppliers instead of contracting one reputable firm at a time, to avoid production of counterfeit licenses.
- (iii) The printing method adopted did not use secure printing stencils or printing plates to control the risk of duplication and counterfeits.
- (iv) The license papers had no watermark security features for authentication and there was no evidence of safety controls during transportation and custody of pre-sealed license papers dispatched to County offices.

In the circumstances, the Authority could lose revenue and counterfeit licenses could be printed.

## **2. Non-Reconciliation of Licensing System and Accounting System**

Review of the Authority's Information Systems indicates that application and processing of various licenses were done in the Licensing system whereas receipting of license fees was processed in an Accounting System. However, the two systems were not interfaced. Further, there was no evidence of reconciliation of reports from Licensing system and the Accounting system especially on the number and category of licenses issued and fees paid.

In the circumstances, the Management did not validate the reported revenue by reconciling the two systems.

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

### **Responsibilities of Management and the Board of Directors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls 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 controls, risk management and overall governance.

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

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

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

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

## **Auditor-General's Responsibilities for the Audit**

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls 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 controls 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 controls 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi


18 April, 2023

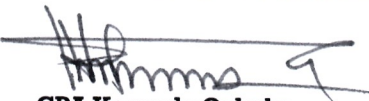
**National Environment Management Authority  
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**XIII. Statement of Financial Performance for the Year Ended 30 June 2022**

	2021-2022	2020-2021
	KShs '000	KShs '000
<b>Revenue from non-exchange transactions</b>		
Government grants - recurrent	4 1,184,000	1,153,919
Government grants - development	5 60,966	110,509
Donor funds	6 209,137	244,190
Revenue receipts	7 196,945	319,695
<b>Total Revenue from Non-Exchange transactions</b>	<b>1,651,048</b>	<b>1,828,313</b>
<b>Revenue from exchange transactions</b>		
Other income	8 6,441	3,200
<b>Total Revenue from exchange transactions</b>	<b>6,441</b>	<b>3,200</b>
<b>Total revenue</b>	<b>1,657,489</b>	<b>1,831,513</b>
<b>Expenditure</b>		
Staff costs	9 1,039,809	1,031,402
Administrative costs	10 286,951	382,993
Board expenses	11 32,428	29,455
Project expenses	12 190,941	248,901
Depreciation expense	13 74,657	81,658
Repairs and Maintenance	14 26,400	23,422
Utilities	15 21,530	19,714
<b>Total Expenditure</b>	<b>1,672,716</b>	<b>1,817,545</b>
<b>Surplus/(Deficit)</b>	<b>(15,227)</b>	<b>13,967</b>
Surplus to National Treasury	30	19,814
<b>Net Surplus/(Deficit)</b>	<b>(15,227)</b>	<b>13,967</b>

The notes set out on pages 7 to 29 form an integral part of the Financial Statements.

  
Mr. Mamo B. Mamo, EBS  
Director General

  
CPA Kennedy Ochuka  
Director Corporate Services  
ICPAK Member Number: 3872

  
Eric Mungai, EBS  
Chairman of the Board

Date: 14/03/2023

Date: 14/03/2023


Date: 14/03/2023

**National Environment Management Authority  
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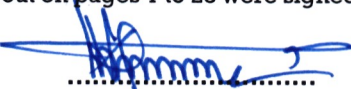
**XIV. Statement of Financial Position as at 30<sup>th</sup> June 2022**

Statement of Financial Position as at 30 <sup>th</sup> June 2022				
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	16	709,577		965,507
Receivable from non-exchange transactions	17	143,766		113,590
Inventories	18	27,278		27,669
<b>Total Current Assets</b>		<b>880,621</b>		<b>1,106,766</b>
<b>Non-Current Assets</b>				
Property, plant and equipment	19	332,342		382,929
Intangible Assets	20	1,223		2,552
<b>Total Non-Current Assets</b>		<b>333,565</b>		<b>385,481</b>
<b>Total Assets</b>		<b>1,214,186</b>		<b>1,492,247</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Trade and other payables	21	118,585		227,861
Provisions	22	25,695		23,740
Refundable deposits and Prepayments from Customers	23	113,476		108,566
Deferred Income Liability	24	451,396		577,650
<b>Total liabilities</b>		<b>709,152</b>		<b>937,817</b>
<b>Net Assets</b>				
Capital Fund	25	175,473		175,473
Revenue Reserves	26	(44,707)		(46,192)
Revaluation Reserves	27	16,682		19,099
Donation Reserve	28	71,303		108,803
Development & Recurrent Grants	29	286,283		297,248
<b>Total Net Assets</b>		<b>505,034</b>		<b>554,430</b>
<b>Liabilities</b>				
<b>Total Net Assets and Liabilities</b>		<b>1,214,186</b>		<b>1,492,247</b>

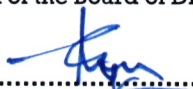
The Financial Statements set out on pages 1 to 28 were signed on behalf of the Board of Directors by:

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

Date.....  
14/03/2023

  
.....  
**CPA Kennedy Ochuka**  
**Director Corporate Services**

**ICPAK Member Number: 3872**  
Date.....  
14/03/2023

  
.....  
**Eric Mungai, EBS**  
**Chairman of the Board**

Date.....  
14/03/2023

**XV. Statement of Changes in Net Assets for the Year Ended 30 June 2022**

<b>At 1st July 2020</b>	175,473	(75,341)	21,525	277,757	64,967	464,380
Prior year adjustment	-	15,182	-			15,182
Revaluation adjustment	-	-	(2,427)			(2,427)
Net surplus for the year	-	13,967	-			13,967
Development Grants received in the year				130,000	56,120	186,120
Transfer of depreciation & Income realized to retained earnings				(110,509)	(12,284)	(122,793)
<b>At 30th June 2021</b>	<b>175,473</b>	<b>(46,192)</b>	<b>19,099</b>	<b>297,248</b>	<b>108,802</b>	<b>554,430</b>
<b>At 1st July 2021</b>	175,473	(46,192)	19,099	297,248	108,802	554,431
Prior year adjustment	-	16,712	-			16,712
Revaluation adjustment	-		(2,417)			(2,417)
Net surplus for the year	-	(15,227)	-			(15,227)
Development Grants received in the year				50,000		50,000
Transfer of depreciation & Income realized to retained earnings				(60,966)	(37,500)	(98,466)
<b>At 30th June 2022</b>	<b>175,473</b>	<b>(44,707)</b>	<b>16,682</b>	<b>286,283</b>	<b>71,303</b>	<b>505,034</b>

**National Environment Management Authority  
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**XVI. Statement of Cashflows for the Year Ended 30 June 2022**

<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from other governments entities		1,174,000	1,283,919.00
Public contributions and donations		3,352	259,262.00
Refund of Unspent Donor Funds (NRM)			-31,754
Licenses and permits		196,945	253,781
Other income		29,148	3,200.00
<b>Total Receipts</b>		<b>1,403,445</b>	<b>1,768,408</b>
<b>Payments</b>			
Use of goods and services		516,936	519,954
Employee costs		1,039,809	1,003,219
Board Expenses		32,428	30,454
Repairs and maintenance		26,400	23,438
Contracted services		21,530	20,751
<b>Total Payments</b>		<b>1,637,103</b>	<b>1,597,816</b>
<b>Net cash flows from/(used in) operating activities</b>	37	<b>(233,658)</b>	<b>170,592</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets	19	(24,847)	-78,649
Proceeds from sale of property, plant and Equipment		2,575	2,105
Decrease/(Increase) in non-current receivables			
Purchase of investments			
Sale of investments			
<b>Net cash flows from/(used in) investing activities</b>		<b>(22,272)</b>	<b>-76,544</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings			
Return of Donor unused funds (NRM)			
Proceeds from issue of shares			
Increase in capital funds			
<b>Net cash flows from / (used in) financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>-255,930</b>	<b>94,048</b>
Cash and cash equivalents at 1 July		965,507	871,459
<b>Cash and cash equivalents at 30 June</b>		<b>709,577</b>	<b>965,507</b>

**XVII. Statement of Comparison of Budget and Actual Amounts**  
**for the Year Ended 30 June 2022**

	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
<b>Revenue</b>						
Transfers from Other Governments entities	1,234,000	-	1,234,000	1,244,966	10,966	101%
Licenses and Permits	300,000	-	300,000	196,945	(103,055)	66%
Other Income	323,900	-	323,900	215,578	(108,322)	67%
<b>Total Income</b>	<b>1,857,900</b>	<b>-</b>	<b>1,857,900</b>	<b>1,657,489</b>		
<b>Expenses</b>						
Use of Goods and Services	241,391	-	241,391	219,977	21,414	91%
Employee costs	960,800	-	960,800	953,185	7,615	99%
Remuneration of Directors	30,000	-	30,000	32,428	(2,428)	108%
Depreciation and Amortization expense	65,000	-	65,000	74,657	(9,657)	115%
Repairs and Maintenance	85,000	-	85,000	82,401	2,599	97%
Contracted Services	130,000	-	130,000	119,128	10,872	92%
Grants and Subsidies	345,709	-	345,709	190,941	154,768	55%
<b>Total Expenditure</b>	<b>1,857,900</b>	<b>-</b>	<b>1,857,900</b>	<b>1,672,716</b>		
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15,227)</b>		

**Notes on the significant variances**

**Income**

**a) Licences and permits**

The difficult Kenyan economic environment and the effects of the Corona pandemic had a negative effect on the revenue (A-I-A) collected. The reintroduction of the Environment Impact Assessment Fee in the financial year has had a positive impact on the amount of revenue that was collected.

**b) Other Incomes**

**This relates to donor funding.** This is mostly as a result of under absorption in the AEH&PMP-World Bank Project since it was in its initial year of preparation and implementation phase. The absorption is expected to increase in the next financial year.

**Expenditure**

**c) Remuneration of Directors**

This is mainly as a result of an increase in activity level.

**d) Depreciation and Amortisation Expenses**

This was mainly due to under budgeting.

**XVIII. Notes to the Financial Statements**

**1. General Information**

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

**2. Statement of Compliance and Basis of Preparation – IPSAS 1**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3n.

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

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

**3. Adoption of New and Revised Standards**

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2022. IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.
- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.

<b>IPSAS 41:</b>	<b>Applicable: 1<sup>st</sup> January 2023:</b>
Financial Instruments	<p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link</li> </ul>

	<p>between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</p> <p><b>No impact applicable from 1<sup>st</sup> January 2023</b></p>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity.  (b) The key features of the operation of those social benefit schemes; and  (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p> <p><b>No impact, the Authority does not provide social benefits as defined by IPSAS 42</b></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.  b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.  c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><b>No impact applicable from 1<sup>st</sup> January 2023</b></p>
<p>Other improvements to IPSAS</p>	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008).</li> <li>• <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</li> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b> Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</li> </ul> <p><b>No impact applicable from 1<sup>st</sup> January 2023.</b></p>
<p>IPSAS 43</p>	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><b>No impact applicable from 1<sup>st</sup> January 2025.</b></p>

IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<b>Applicable 1<sup>st</sup> January 2025</b>
	The Standard requires,
	Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:
	Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.
	<b>No impact applicable from 1st January 2025.</b>

**iii. Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2021/2022.

**4. Summary of Significant Accounting Policies**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions – IPSAS 23**

**Fees (Licences)**

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

The Authority collects various types of fees as it undertakes its mandate of co-ordinating and supervising matters pertaining to the Environment. The fees charged include water quality, liquid and solid waste, biodiversity, ozone depleting substances.

Most of the fees paid are one of payments and therefore revenue was recognized upon payment. The changes in the Water Quality Regulations which recognized revenues on calendar year as opposed to financial year occasioned the change in the revenue recognition criteria.

The Authority collected KES 196.94 million from licence fees compared to KES 319.69 million in the previous year (This is a 38.57 % decrease).

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

The total revenue received from government and other development partners was KES 1.454 billion compared to KES 1.508 billion in the previous year.

**Rendering of services**

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

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

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

**Sale of goods**

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

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

**Interest income**

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

No interest income was received in the year.

**ii) Revenue from exchange transactions – IPSAS 9**

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

**Rental income**

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

No rental income was received in the year.

**Donor funds**

An amount of **KES 209.13 million** was recognised as income from various donors. The donations are recognised by the Authority when received as liabilities. The amount spent is recognised as income and any unexpended fund at the end of period adjusted to unspent donor funds.

**Donations**

The donations are recognised by the Authority when received, these are donations towards sponsorship of world environmental days. An amount of KES 3.35 million was recognised as donations.

**Miscellaneous income**

Miscellaneous income is recognised by the Authority when received, an amount of KES 0.514 million was recognised which is comprised mainly of sale of tender documents and auction deposits.

**Gain on disposal**

Gain on disposal of assets relates to assets disposed within the financial year, an amount of KES 2.57 million was recognised as gain on disposal.

**b) Budget information – IPSAS 24**

The annual budget for FY 2021-2022 was approved by the National Treasury. The entity's budget is prepared on accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

**c) Taxes – IAS 12**

**Current income tax**

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

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

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

**d) Property, plant and equipment – IPSAS 17**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. Assets valued at KES 24.84 million were acquired during the financial year.

**e) Intangible assets – IPSAS 31**

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

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

**f) Inventories – IPSAS 12**

Inventories of consumable nature are stated at the lower of cost and net realizable value. Cost comprises the purchase price and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs of selling the item. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity. During the year the Authority had a closing stock of consumable stock valued at KES 27.27 million.

**g) Provisions – IPSAS 19**

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

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

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

The Authority has recognized provisions amounting to KES 24.71 million.

**Contingent liabilities**

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

**Contingent assets**

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the

notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it becomes virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements including Capital Fund, Revenue Reserve and Revaluation Reserve.

**h) Changes in accounting policies and estimates – IPSAS 3**

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

**i) Employee benefits – IPSAS 39**

**Retirement benefit plans**

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

**j) Foreign currency transactions**

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

**k) Cash and cash equivalents**

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

**l) Comparative figures**

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

**m) Subsequent events – IPSAS 14**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

**n) Significant judgments and estimates**

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

**Critical judgments in applying the Authority's accounting policies**

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

**Fair values of financial instruments**

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

**Key sources of estimation uncertainty**

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

**Property and equipment**

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

**Intangible assets**

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

**Useful lives and residual values**

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

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

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

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

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

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4

National Environment Management Authority (NEMA)	1,184,000	1,153,919
	-	-
<b>Total</b>	<b>1,184,000</b>	<b>1,153,919</b>

These are the amounts received from the Government to assist in meeting the Organization's Recurrent expenditures. It comprises of KES 1.184 billion received as recurrent grant for the year.

Ministry of Environment and Forestry (Recurrent)	1,184,000	-		1,184,000	1,153,919
<b>Total</b>	<b>1,184,000</b>	<b>-</b>	<b>-</b>	<b>1,184,000</b>	<b>1,153,919</b>

5

Ministry of Environment and Forestry (development)	60,965	20,000		50,000	110,509
<b>Total</b>	<b>60,965</b>	<b>20,000</b>	<b>-</b>	<b>50,000</b>	<b>110,509</b>

National Environment Management Authority (NEMA)		101,603
Enapuiyapui and ondiri	16,592	
Nairobi River Regeneration Prog	1,110	
Plastic Ban Development Funds	16,913	
Lab Expenses	1,912	
Development Depreciation Funds	24,438	
Government grant Other	-	8,906
<b>Total</b>	<b>60,965</b>	<b>110,509</b>

This relates to the amounts received from the Government to assist in meeting the Organization's Development expenditures. The total income received as development grant was KES 30 million. Additional amount of Kshs 20 Million relating to this Financial year was received in July 2021 and recorded as a deferred income receivable. The revenue recognized in the year was KES 60.96 million. Development grant relating to expenses for the period is

treated as income in the statement of financial performance, while for the purchase of assets it's treated as deferred income and allocated to statement of financial performance income over the useful lives of the related assets.

**6 Donor funds**

Adaptation Fund Income	123,822	152,717
DANIDA GGECP	22,359	64,184
GCF - UNOPS	19,219	13,906
KEPTAP	12,285	12,285
Other Donor funds (NRF)	3,626	1,098
World Bank -AEHPMP	27,827	
<b>Total</b>	<b>209,138</b>	<b>244,190</b>

This relates to various donor funds expended during the financial year. Donor funds expended during the year are recognized as Income and the balance as at the end of the year is treated as unspent donor funds. The total donor funds expended during the year was KES 209.13 million as compared to KES 244.19 million in the previous year.

**7 Revenue receipts**

EIA Registration fees	308	-
Water Quality	128,238	127,578
Waste Management	25,198	17,647
Biodiversity	380	300
Ozone Depleting Substances	-	15
Noise Pollution	393	466
EIA Income	17,865	145,261
Direct bank credits	10,417	14,197
Air quality	14,146	14,231
<b>Total</b>	<b>196,945</b>	<b>319,695</b>

These are the amounts collected as Appropriation- In- Aid (A-I-A) for the different licensing regimes monitored and Co-ordinated by the Authority as governed by the various regulations. The total A-I-A collected in the financial Year was a total of KES 196.94 million as compared to KES 319.69 million in the previous year.

**8 Other Incomes**

Canteen Services	-	-
Donations	3,352	2,790
Miscellaneous Income	514	397
Gain on Disposal	2,575	13
<b>Total</b>	<b>6,441</b>	<b>3,200</b>

These comprises of amounts received as Donations 3.35 million and Miscellaneous income KES 0.51 million mostly from sale of tender documents and court costs paid to the Authority. Gain on disposal of KES 2.57 million was realized.

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**Expenditure**

**9 Staff Costs**

Personal Emoluments	811,674	794,089
Employer's Pension/Gratuity	120,509	130,141
Employer's NSSF Contribution	1,037	1,004
Training Expenses	15,171	21,870
Insurance Expenses	86,220	77,456
Staff welfare expenses	5,198	6,842
<b>Total</b>	<b>1,039,809</b>	<b>1,031,402</b>

This relates to various Employee Expenses incurred. They include amounts paid as personal Emoluments of KES 811.66 million, Employer's Pension component/ Gratuity of KES 120.50 million, Employer's NSSF Contribution of KES 1.03 Million, Amount incurred for training of Staff of KES 15.17 million, Insurance expenses of KES 86.22 million and other Staff Welfare expenses of KES 5.19 million.

**10 Administrative expenses**

Local Travelling & Accommodation	78,463	107,597
Foreign Travelling & Accommodation	8,955	86
Rent	19,428	19,672
Regional/ County Operation Expenses	21,747	36,386
EIA Expenses	723	9,244
Plastic Bags Ban Expenses	16,914	69,106
Office & General Supplies & Services	32,692	40,522
Fuel and lubricants	48,529	35,640
Contracted Professional Services	14,175	10,176
Corporation tax	-	-
Legal Deposit	-	8,404
Provision for Audit fees	580	580
Other Administrative Expenses	44,745	45,581
<b>Total</b>	<b>286,951</b>	<b>382,993</b>

This amount relates to various expenses that assist in the day to day operations of the Authority. They are instrumental in the Authority achieving its mandate and core objectives. A total of KES 286.95 million was incurred in the financial year and 382.99 million in the previous year.

**11 Board expenses**

Honoraria	706	960
Sitting Allowances	9,520	11,570
Medical Insurance cover	-	534
Induction and Training	568	437
Travel and Accommodation	21,144	15,390
Other Allowances	489	564
<b>Total</b>	<b>32,428</b>	<b>29,455</b>

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These are expenditure for Board of Management and other benefits accruing to them. These include Sitting Allowances, accommodation, lunch allowances, travel reimbursements, honoraria, medical insurance air tickets and training. Board and Committee Expenses incurred amounted to KES 31.72 million, Honoraria KES 0.70 million. A total of KES 29.45 million was used in the previous year.

**12 Project expenses**

Access & Benefit Sharing Expen.	-	0.20
Adaptation Fund (NIE) Expenses	123,822	152,643
GGECP Expenses	11	64,185
GGECP Counterpart Expenses	25	15,833
National Research Fund Expenses	1,385	1,098
GCF Expenses	19,219	13,280
Nature Kenya Conference Expenses	2,059	1,117
AEHPMP-World Bank	27,827	106
Restorate & Rehabilitate Enapuiyapui & Ondiri	16,593	639
<b>Total</b>	<b>190,941</b>	<b>248,901</b>

This relates to amounts incurred as expenses for the various donor funded projects being undertaken by the Authority. The total amounts expended for the various projects in the year totaled to KES 190.94 million. The amount incurred in the year 2021 was KES 248.90 Million.

**13 Depreciation expense**

Depreciation	73,329	80,356
Amortization	1,328	1,302
<b>Total</b>	<b>74,657</b>	<b>81,658</b>

This is the portion of the depreciable amount of the Various Assets owned by the Authority that was expensed during the year. Depreciation is charged on a straight-line basis. Depreciation amount charged to the Statement of Financial Performance is KES 74.65 million. Comprised of buildings KES 1.90 million, motor vehicles KES 37.49 million, furniture & fittings KES 11.30 million, office equipment KES 14.37 million, computer equipment KES 8.23 million and amortization of intangible assets KES 1.32 million. KES 81.65 million was charged in the year 2021.

**14 Repairs and Maintenance**

Building	6,968	8,166
Equipment	3,470	1,041
Computer and networks	164	3,589
Vehicles	15,798	10,626
<b>Total</b>	<b>26,400</b>	<b>23,422</b>

These are the expenses incurred for repairs and maintenance to bring back the various Authority assets to a useable form upon deterioration. A total of KES 26.40 million was utilized during the year as compared to KES 23.42 million in the previous year. Motor vehicle repairs & maintenance increased due to purchase of more tyres for the Authority Motor vehicles.

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**15 Utilities**

Electricity Expenses	2,707	2,349
Water	762	876
Telephone Expenses	4,828	6,773
Internet Services	5,965	2,254
Postal & Telegrams	7,268	7,462
<b>Total</b>	<b>21,530</b>	<b>19,714</b>

These are amounts paid for the various Utility services including Electricity, Water, Telephone, Internet and postal services. The total amount incurred during the year was KES 21.53 million as compared to KES 19.71 million in the year 2021.

**16 Cash and Bank Balances**

KCB Development Account [Acc No.1102292354]	122,886	148,690
KCB Restoration Account [Acc No.1101628758]	35,701	35,702
KCB Revenue Account [Acc No.1102298158]	10,829	140,577
KCB Gateway Recurrent [Acc No.1112705546]	9,716	1,289
KCB Gateway EPS Project [Acc No.1112714359]	-	0
KCB Nairobi Regional Account [Acc No.1144988209]	-	-
KCB Coast Regional Account [Acc No.1145067611]	-	-
KCB Eldoret Regional Account [Acc No.1144811988]	-	-
KCB Isiolo Regional Account [Acc No.1145025684]	-	-
KCB NCNSA Project [Acc No.1135682763]	32	32
KCB NRM Project Account [Acc No.1119972434]	-	-
KCB ABS Project Account [Acc No.1127404164]	-	-
KCB SNC Project Account [Acc No.1144217628]	-	2,366
KCB TNA Project Account [Acc No.1144217865]	-	-
KCB Adaptation Fund [Acc No.1165595192]	412,973	487,961
KCB Adaptation Fund [Acc No.1218639164] KSH	23,916	30,536
KCB GGCEP Project [Acc No.1204171068]	1,123	16,281
KCB Africa Environment Health Project [Acc No.1285063546]	76,156	87,747
COOP Revenue Account [Acc No.1100030858900]	1,642	1,643
CBA CBF (Biodiversity) [Acc No.6587230044]	3,661	3,669
Stanchart KCDP Project Account [Acc No.0108016188409]	-	-
BBK Pension Account [Acc No.708165964]	4,246	5,239
	<b>702,881</b>	<b>961,733</b>
<b>b) Cash in Hand</b>		
Nema Hq	6	186
<b>c) Mpesa Holding</b>		
Mpesa	3,073	3,073
<b>d) ECITIZEN</b>		
ECITIZEN	3,617	515
<b>Total Cash and bank balance</b>	<b>709,577</b>	<b>965,507</b>

The total amount of Cash in Hand and at the Bank as at the end of the year was KES 709.57 million as compared to KES 965.50 million in the previous year.

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**17 Receivables**

Outstanding Advance - NEMA	32,051	17,060
Outstanding Advance - PCC	-	-
Receivable due to Adaptation Fund	11,703	48,239
Grant Receivable - Development & Recurrent	60,000	-
Other debtors	40,013	48,291
<b>Total</b>	<b>143,766</b>	<b>113,590</b>

These are outstanding advances, imprests, Receivables from Adaptation Fund executing entities and other debtors and the exchequer. As at the end of the financial year there was a total of KES 143.76 million outstanding, this was composed of advance and imprests KES 32.05 million, KES 11.70 million owed to adaptation Fund executing entities, KES 60.00 million being KES 40.00 million recurrent grant and KES 20.00 million development grant for the year received in July 2022. The KES 40.01 million other debtors comprise of prepayments and deposits of which KES 19.81 million relates to an overpayment to the Kenya Revenue Authority.

**18 Inventories**

Consumable stores	27,278	27,669
	<b>27,278</b>	<b>27,669</b>

The closing inventory as at June 2022 was KES 27.27 million as compared to KES 27.69 million in the previous year. The inventories comprise mainly of stationeries, computers, catering & sanitary consumables and tyres.

**19 Property, plant and equipment**

	2.5%	25%	12.5%	30%	12.5%	-	
<b>Cost</b>							
1st July 2020	173,120	265,447	82,580	57,664	108,900	6,336	694,049
Additions		43,196	4,528	7,148	4,289	17,950	77,111
Disposal	-	(9,337)	-	-	-	-	(9,337)
Transfer	-	-	-	-	-	-	-
30th June 2021	173,120	299,306	87,108	64,812	113,190	24,287	761,823
<b>Accumulated depreciation</b>							
1st July 2020	15,057	169,962	39,142	43,685	35,511		303,356
Charge for the year	1,915	47,428	10,601	6,743	13,677		80,364
Accm dep on revaluation Adj	2,417						2,417
Accm dep Prior year Adj	-	-	-	-	-		-

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Accm dep on disposal	-	(7,245)	-	-	-	-	(7,245)
							-
30th June 2021	19,389	210,145	49,743	50,428	49,188	-	378,893
<b>Carrying amount</b>							
30th June 2021	153,731	89,161	37,365	14,385	64,002	24,287	382,930
<b>Cost</b>							
1st July 2022	173,612	299,306	87,028	64,712	113,190	24,287	762,135
Additions	-	-	7,201	10,554	1,144	5,948	24,847
Disposal	-	(4,900)	-	-	-	-	(4,900)
Transfer	-	-	-	-	-	-	-
30th June 2021	173,612	294,406	94,229	75,266	114,333	30,234	782,081
<b>Accumulated depreciation</b>							
1st July 2021	19,390	210,145	49,743	50,428	49,188	-	378,893
Charge for the year	1,915	37,491	11,307	8,239	14,377	-	73,329
Accm dep on revaluation Adj	2,417	-	-	-	-	-	2,417
Accm dep Prior year Adj	-	-	-	-	-	-	-
Accm dep on disposal	-	(4,900)	-	-	-	-	(4,900)
30th June 2022	23,723	242,736	61,050	58,666	63,565	-	449,739
<b>Carrying amount</b>							
30th June 2022	149,889	51,670	33,180	16,600	50,768	30,234	332,342

This indicates the Property, Plant and Equipment movement Schedule from Acquisition, Accumulated Depreciation and Netbook Values for the different classes of Assets as indicated in the carrying amounts as at 30<sup>th</sup> June 2022. The Netbook value as at 30th June 2022 was KES 332.34 million.

Property plant and Equipment includes the following Assets that are fully depreciated

	Kshs	Kshs
Plant And Machinery	-	-
Motor Vehicles, Including Motor Cycles	132,040.60	33,010.15
Computers And Related Equipment	39,447.24	11,846.02
Office Equipment, Furniture And Fittings	-	-
<b>Total</b>	<b>171,487.84</b>	<b>44,856.17</b>

**20 Intangible Assets**

<b>Cost At beginning of the year</b>	11,922	10,384
Additions		1,538
<b>At end of the year</b>	<b>11,922</b>	<b>11,922</b>
Additions-internal development-WIP		
Disposal	-	-
<b>At end of the year</b>	<b>11,922</b>	<b>11,922</b>
<b>Amortization and impairment</b>		
At beginning of the year	9,370	8,068
Amortization	1,328	1,302
Accm dep on revaluation Adj	-	-
Accm dep Prior year Adj	-	-
Accm dep on disposal	-	-
<b>At end of the year</b>	<b>10,698</b>	<b>9,370</b>
<b>NBV</b>	<b>1,223</b>	<b>2,552</b>

**21 Trade and other payables from exchange transactions**

Sundry Payables	54,856	171,214
Taxes Payable	1,238	13,985
Other Payables	10,975	12,076
Net salary	-	-
Statutory deductions (PAYE, NHIF,NSSF,HELB)	14,577	20,888
NEMA Staff Welfare Society	471	112
Staff Housing Scheme	1,275	1,275
Bank Deduction Payable	7,175	73
Insurance Deduction Payable	951	10
Sacco Deduction Payable	8,229	18
Pension Fund Payable	14,533	178
Provision for gratuity	-	-
Assurance Cover Payable	4,305	8,032
<b>Total</b>	<b>118,585</b>	<b>227,861</b>

Indicates various outstanding Liabilities as at the end of the financial year. The total amount for trade and other payables outstanding is 118.58 million as compared to KES 227.86 million in the previous year. Sundry payables comprise of suppliers & staff payable, taxes include withheld taxes payable, unspent donor funds are as analysed above.

**22 Provisions**

General provisions	25,695	23,740
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The general provisions include expenses which have been provided for and not yet paid as at the end of the year. KES 25.69 million in the current year and KES 23.74 million in 2021.

**23 Refundable deposits from customers**

Base Titanium	46,902	46,902
Prepaid Revenue	66,574	61,664
<b>Total</b>	<b>113,477</b>	<b>108,566</b>

Includes KES 46.90 million payable to base titanium and prepaid water quality licences amounting to KES 66.57 million.

**24 Deferred Income Liability**

Unspent donor funds	451,396	577,650
	451,396	577,650

These are un-utilized donor grants relating to the Adaptation Fund and World bank Projects. For the year 2022 the amount is KES 451.39 Million compared to KES 577.65 Million in the year 2021.

**25 Capital Fund**

At start of the year	175,473	175,473
<b>At end of the year</b>	<b>175,473</b>	<b>175,473</b>

**26 Revenue Reserve**

At start of the year	(46,192)	(75,341)
Prior year Adjustment	16,712	15,182
Surplus/(Deficit)	(15,227)	13,967
<b>At end of the year</b>	<b>(44,707)</b>	<b>(46,192)</b>

**27 Revaluation Reserve**

At start of the year	19,099	21,525
Revaluation Adjustment	(2,417)	(2,427)
<b>At end of the year</b>	<b>16,682</b>	<b>19,098</b>

The revaluation reserve relates to the revaluation of Buildings. As indicated in the Statement of Changes in Equity, this is stated after transfer of depreciation charge.

**28 Donation Reserve**

At start of year	108,802	108,802
Depreciation Adjustment	(37,499)	-
<b>At end of the year</b>	<b>71,303</b>	<b>108,802</b>

The donation reserve relates to the various Assets donated by the KEPTAP and GGEF Project. As indicated in the

Statement of Changes in Equity, this is stated after transfer of depreciation charge for the year.

**29 Development Grants**

Deferred Development Income	286,283	297,248
	286,283	297,248

The Deferred development & Recurrent grant is income not yet utilized. The unutilized income is KES 286.28 Million in 2022 as compared to KES 297.24 Million in the year ended June 2021.

**30. Surplus Funds Remission**

In accordance with Section 219 (2) of the Public Finance Management Act regulations, regulatory entities shall remit into the Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Authority paid KES 32.38 million to Kenya Revenue Authority being the 90% of the surplus reported in the interim financial statements for financial year 2019/2020. However, after the adjustments in the revenue recognition the Authority had a deficit of 1.946 Million.

In the financial year 2020/2021 although the Authority had reported a surplus in the interim financial statements of KES 13.920 million. There was no surplus payable since there was an overpayment of KES 32.38 million in the financial year 2019/2020. In the year 2020-2021, the Authority had a surplus of 13.967 million thus amount payable was KES 12.570. Following this, amount refundable by KRA is KES 19.814 Million.

Adjusted /Surplus/deficit for the period	(75,759)	13,967
Less: Allowable deductions by NT	-	-
90% computation (Included in Statement of Financial performance)	-	12,570

**Surplus Remission Payable**

Payable/refundable at the beginning of the year	(19,814)	(32,384)
Payable during the year	-	12,570
<b>Payable/refundable at end of the year</b>	<b>(19,814)</b>	<b>(19,814)</b>

**31. Prior year adjustments – IPSAS 3**

The prior year adjustments in the revenue reserves amounting to a total of KES 16.71 million relates to mainly adjustment of accumulated depreciation of Previous years for GGEP Assets and various ledger adjustments.

**32. Provisions, Contingent Liabilities and Contingent Assets-IPSAS 19**

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

### **Contingent Liabilities**

The following are major contingent liabilities as at 30th June 2022.

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

In this case the Petitioners filed a Petition against the Authority on grounds that the Authority failed to pay the claimants a non-practice and prosecutorial allowances and the cost of the suit. The Authority has appealed the case and in the event the ruling will be in favour of the petitioners an estimated cost of KES 22,000,000/- in lieu of compensation and costs of the suit, as at 30 June 2023 is expected. This amount has been provided for in full. An additional deposit of KES 3,039,245 was asked by the court within the last financial year which was provided for.

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

In the course of the conduct of its regulatory mandate claims for specified and unspecified damages have been lodged against the Authority against violation of the right to a clean and healthy environment in the Uhuru Owino case before the Environment and Land Court (ELC). The case was determined and ruling made against the Authority however an appeal against the decision was lodged. The compensation was set at KES 2.0 billion of which the Authority is liable for 40% of the award, which is KES 800 million. The cost of restoration was set at KES 700 million for all the defendants in the suit but also with an alternative of the defendants doing the restoration themselves, the Authority is considering taking the latter option. The Authority has appealed the case.

**c) Benson Ambuti Adegga & 2 Others Vs NEMA & 5Others-Case-Kisumu ELC No.8 of 2018**

In this case, the court awarded KES 3 million on 31.07.2020. The Authority is waiting for actual taxation/assessment of the costs by the court so as to fix the quantum.

**d) Taib Investments Limited Vs Nema & Others-Case Mombasa ELC No. 37 of 2018**

In this case the court awarded KES 0.5 million on 14.10.2020. The Authority is waiting for actual taxation/assessment of the costs by the court so as to fix the quantum.

**e) David Mereka & Another vs NEMA & Others-Case-Muranga No 22 of 2019**

In this case the court awarded KES 0.5 million on 27.01.2020. The Authority is waiting for actual taxation/assessment of the costs by the court so as to fix the quantum.

**f) Jane Wagathuitu & 2 Others vs NEMA & Others -Case-Nakuru ELC No. 405 of 2017**

In this case the court awarded KES 0.7 million on 19.06.2019. The Authority is waiting for actual taxation/assessment of the costs by the court so as to fix the quantum.

### **33. Related Party Disclosures-IPSAS 20**

The Authority has four key management personnel. The managers participate in making key management decisions of the Authority and reports to Board of Management for guidance and the parent ministry for policy direction. The four key managers' remuneration for the financial year ended June 30, 2022 was KES 30.24 million. The Authority received KES 1.23 billion from the parent ministry as recurrent grant and development grants.

### **34. Financial Instruments Disclosure-IPSAS 30**

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

#### **Receivables**

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

**Payables**

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

**35. Revaluation of Assets-IPSAS 17**

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

**36. FINANCIAL RISK MANAGEMENT POLICIES**

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

**(a) Significant accounting policies**

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

**(b) Financial risk management objectives**

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

**(c) Credit risk**

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

	<b>KES '000'</b>
<b>At 30 June 2022</b>	
Cash at bank	709,936
Receivables	141,536
	<b>851,472</b>
<b>At 30 June 2021</b>	
Cash at bank	965,506
Receivables	113,591
	<b>1,079,097</b>

**(d) Liquidity risk management**

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

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

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

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**(e) Market risk management**

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

**Foreign Currency Risk**

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

**37 Cash Generated from Operations**

<b>Surplus for the year</b>		<b>(15,227)</b>	<b>13,967</b>
<b>Adjustments for:</b>			
Tax expense		-	-
(Gain)/Loss on disposal of property, plant & equipment	8	(2,575)	(13)
Interest received		-	-
Depreciation of property, plant & equipment	13	74,346	81,658
Accumulated depreciation adjusted			
Prior year adjustment	31	16,712	15,182
Excess surplus paid			-
<b>Operating (loss) before working capital changes</b>		<b>73,256</b>	<b>110,794</b>
<b>Changes in operating assets and liabilities</b>			
(Increase)/decrease in Receivable from non-exchange transactions		(27,946)	2,689
(Increase)/ decrease in inventories		391	127
Increase/(decrease) in trade payables and other payables		(111,505)	73,587
Increase/(decrease) in provisions		1,955	(2,894)
Increase/(decrease) in Refundable deposits and Prepayments from Customers		4,910	(4,249)
Increase/(decrease) in Development Grants		(10,965)	(28,953)
Increase/(decrease) in Deferred Income Liability		(126,254)	19,491
Increase/(decrease) in Donation Reserve		(37,500)	-
<b>Cash used in operations</b>		<b>(233,658)</b>	<b>170,592</b>
Surplus paid			-
<b>Net cash used in operating activities</b>		<b>(233,658)</b>	<b>170,592</b>

**38. Capital Commitments**

Authorised for:	-	4,878
Authorised and contracted for	84,027	78,648
<b>Total</b>	<b>84,027</b>	<b>83,526</b>

**39. Revaluation Adjustment**

<b>Opening Balance</b>	19,099	21,525
Revaluation Adjustment	-2,417	-2,427
<b>Closing Balance</b>	<b>16,682</b>	<b>19,099</b>

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**XIX. Progress on Follow up of Auditor Recommendations**

The following is the summary of issues raised in the final external audit report 2019/2020, 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.

<p>FY 2020/2021</p>	<p><b>1. Fully Depreciated Assets</b> Included in the statement of financial position as at 30 June, 2021 is property, plant and equipment and intangible Assets balances of Kshs.376,593,000 and Kshs.8,888,000 respectively. However, review of the supporting asset register revealed that fixed assets costing a total of Kshs.118,163,000 were fully depreciated and intangible assets costing a total of Kshs.6,600,000 were fully amortized. Management had not reviewed of the useful life of these assets as requires IPSAS 17 Paragraph 67 on Property, Plant and Equipment. Consequently, it was not possible to confirm the benefits being realized of these property, plant, equipment and intangible assets that have been fully depreciated.</p>	<p><b>Management Response</b> Management notes the observation and would like to inform that one of the Challenges in carrying out the revaluation of the assets in question is the inadequate funds. Revaluation is an expensive exercise and requires adequate budget. Due to inadequate funding, the Authority has planned to allocate a budget in the FY 2022/23 in order undertake revaluation of the specific class of the assets which are fully depreciated.</p>	<p>With the reintroduction of EIA fee, the total income collection, by the authority is likely to increase. The additional funds will be instrumental in obtaining a budget line upon approval to revalue fully depreciated assets</p> <p>30<sup>th</sup> June 2023</p>
<p><b>2. Failure to Collect Environmental Impact Assessment Expert License Fees</b> Report generated from the licensing system indicate total billings for expert licences of Kshs. 12,114,000 for the year ended 30 June, 2021. However, the Authority did not collect fees from license applicants in line with fifth schedule of the Environmental (Impact Assessment and Audit) Regulations, 2003 which provides for fees for Environmental Impact Assessment (EIA) expert license. Although Management has attributed the failure to Circular Ref.OP/CAB.58/4A of November, 2016 on scrapping and harmonization of registration and enforcement in the construction industry, the directives were for levies charged on project developers. In addition, information available indicates that the Authority requires EIA expert license applicants to be vetted first by the Environment Institute of Kenya, a requirement which is not in the EIA Regulations and or the organization gazetted as an authorized profession regulator. Consequently, the Authority failed to collect public revenue in line with Regulation 64(1)(a) of the Public Finance Management (National Government) Regulations, 2015 which provides for prompt collection and accounting for government revenue by the Accounting Officers.</p>	<p><b>Management Response</b> In order to enhance the ease of doing business, the Cabinet scrapped the collection of Environmental Impact Assessment (EIA) and Environmental Audit (EA) related fees such as Expert fees with effect from 1st January 2017. It further indicated that any fees that would directly or indirectly increase cost of doing business including expert fees was scrapped as per the Cabinet directive. The Authority in line with this directive was barred from charging this fee. In the case of the Authority requiring EIA expert licence applicants to be vetted first by Environment Institute of Kenya, the Management would like to clarify that this is purely an administrative issue. Due to the various past experiences of rogue experts and the Authority not having enough capacity to fully vet the licence applicants beyond their submitted documentation it is prudent that an umbrella body of the experts be mandated to carry out such in order to improve the quality of experts since will be able to discipline its members in case of a malpractice.</p>	<p>The recommendation has since been implemented as the authority reinstated collection of EIA fee collection effective 1st June, 2022.</p> <p>1<sup>st</sup> June 2022</p>	

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	<p><b>3 Failure to Adopt E-Procurement</b></p> <p>During the year under review, the management undertook various procurements including construction, purchase of motor vehicles, consultancies and supply of goods and services among others. The procurements were manually processed despite NEMA having Navision ERP Web-based system which has a procurement module contrary to Executive Order No.6 of 06 March 2015 and National Treasury Circular No.6/2015, which directed all public entities to migrate to E-procurement by June 2015. Manual operations are susceptible to manipulations and compromise, thus no guarantee for fairness.</p> <p>The management is therefore in breach of Laws by the continued use of manual procurement process.</p>	<p><b>Management Response</b></p> <p>The Managements notes your observation but would like to clarify that the Authority's procurement process is not entirely manual. The Authority Utilizes its own Enterprise Resource Planning (ERP) Known as Microsoft Dynamics "Navision". The System has procurement module E-Procurement that has enabled the Authority achieve partial E-procurement seen in stages like procurement requisition initiation and approvals, Purchase orders generation and approvals, Contracts generation, Vendors database management, Inventory control and management among others.</p> <p>The Authority is in the process of improving the module to fully support the procurement cycle through E-Procurement.</p>	<p>30<sup>th</sup> June 2023</p>
<p><b>4.1 Irregular Board Meetings and Expenditure Beyond the Recommended Threshold</b></p> <p>During the year under review, the Board held seven (7) sittings at a total cost of Kshs.5,706,967 and which were not in the 2020/2021 financial year approved Board's work plan. This was contrary to the Head of Public Service Circular Ref-OP/CAB.9/1A dated 11 March, 2020 which requires all Board of Directors to submit their annual plan to State Corporations Advisory Council by 30 June of each year. In addition, the Board held six (6) special meetings at a total cost of Kshs. 1,619,402 without evidence of approval by the Cabinet Secretary as required by the circular.</p> <p>Further, the Board expenditure of Kshs.29,455,000 exceeded 5% of operations and maintenance budget of Kshs.20,230,950 by an amount of Kshs.9,224,050 contrary to the circular which capped board expenditure at a lower of Kshs.30 million or 5% of operations and maintenance budget.</p> <p>In the circumstances, the Board was in breach of the directives.</p>	<p><b>Management Response</b></p> <p>Management notes the observation and will inform the Board of the findings by the Auditor. It is expected that going forward all activities undertaken by the Board will be guided by the approved Annual Board Work plan. Going forward the Boards expenses will be within the approved limit.</p>	<p>1<sup>st</sup> June 2022</p>	

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	<p><b>4.2 The Board Engaging in Management Functions</b> Included in the Board expenditure totalling Kshs.29,455,000 is an amount of Kshs.6,021,214 which relates to sitting allowance, mileage and daily subsistence allowance paid to Board Members for field inspection visits contrary to Chapter 1.22 of Mwingozo Code of Governance for State Corporations. Consequently, the Board may have usurped Management functions. 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.</p>	<p><b>Management Response</b> Management notes the observation and going forward the Board will limit itself to oversight and governance roles and let Management implement the day to day activities of the Authority.</p>	<p>Under the board budget an allocation has been set for training. These will be used to train new board members on their roles and what management's roles are and importance of adhering to the Mwingozo.  1st June 2022</p>
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	<p><b>1. Lack of Effective Controls on License Papers</b> During the year under review, the Authority contracted firms to supply license papers. However, audit review of the suppliers' records and licensing process revealed the following issues: Suppliers engaged during the period were general stationery suppliers instead of approved security documents printing firms based on the sensitivity of the licenses. (ii) The orders were issued to various suppliers instead of contracting one reputable firm at a time, to avoid production of counterfeit licenses. (iii) The printing method adopted did not use secure printing stencils or printing plates to control the risk of duplication and counterfeits. (iv) The license papers had no watermark security features for authentication and there was no evidence of safety controls during transportation and custody of pre-sealed license papers dispatched to County offices. In the circumstances, the Authority could lose revenue and counterfeit licenses could be printed</p>	<p><b>Management Response</b> The Management would like to clarify that the Authority had invited interested bidders to apply registration to offer printing services for security documents for two years 2020-2022. The firms that applied for registration did not meet the requirements that had been asked. As a result, due to need basis of printing of the licenses was done through general printing providers who were registered by the Authority. The Authority shall request interested bidders to submit applications for printing of security documents in the current financial year since the period mentioned above shall be lapsing this year. In regard to the issue of not there being an evidence of safety controls during transportation and custody of pre-sealed licences dispatched to County offices the management would like to clarify that; Upon receipt from stores, the office of field operations adds more security features (sealing) before issuing to respective field offices via form S12 (Issue and receipt Voucher). The Licenses are sent as a registered mail (Express Mail Service (EMS) which has a tracking number or code which helps trace the mail to the destination. Upon reaching the county office it is the Accounting officer of the county who receives the licences and registers their name and Identification number and signature. This ensures safety during transportation and receipt of the license papers. The licenses being critical accountable documents are kept under lock and key in the safes provided in the County offices by the County Director of Environment who are the Accounting officers for the County. Upon the request of additional licenses, the office of field operation requests from the Stores through online Stores Requisitions and also manually through counterfoil receipt book register (form F O 13). For ease of tracking, the counterfoil receipt book register has the serial No. to whom each license was issued to. Regular audits and inspections are</p>	<p>The authority has now transitioned into an online automated system and printing of manual licenses is discontinued. The new system running on e-citizen overcomes the weaknesses of the manual licensing system in which licenses had to be kept under lock and key. It is expected that by 30<sup>th</sup> June 2023 all NEMA licenses will be generated and printed online.</p> <p style="text-align: right;">30th June 2023</p>
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		<p>undertaken to ensure that no unlicensed facilities are operating with counterfeit licenses if any.</p> <p><b>Management Response</b> The Integration between the licensing system and the Navision system was rolled out in March 2020 (three months to the end of the financial year 2020-2021). It is therefore critical to note that the integration is still a work in progress. Currently we don't have a report matching the invoices billed, licenses issued against revenue collected. This will be initiated in the next phase as recommended. However, there is a reconciliation for all invoices raised through the licensing portal and payment done in E- citizen. It helps in validating the reported revenue in the Navision system with the invoices issued in the Licensing portal. This is normally reconciled by 10th of the following month.</p>	<p>The issue of matching invoices billed, licenses issued against revenue collected is being handled by GreenCom Enterprises Limited in the current support contract</p> <p style="text-align: right;">30th June 2023</p>
<p><b>2. Non-Reconciliation of Licensing System and Accounting System</b> Review of the Authority's Information Systems indicates that application and processing of various licenses were done in the Licensing system whereas receipting of license fees was processed in an Accounting System. However, the two systems were not interfaced. Further, there was no evidence of reconciliation of reports from Licensing system and the Accounting system especially on the number and category of licenses issued and fees paid. In the circumstances, the Management did not validate the reported revenue by reconciling the two systems.</p>			

**XX. Appendix 1: Projects Implemented by the Entity**

**Projects**

**Projects Implemented by the State Corporation/ Saga Funded by Development Partners**

<b>Project title</b>	<b>Project Number</b>	<b>Donor</b>	<b>Period/ duration</b>	<b>Donor commitment KES</b>	<b>Separate donor reporting required as per the donor agreement (Yes/No)</b>	<b>Consolidated in these financial statements (Yes/No)</b>
1 Integrated Programme to Build Resilience to Climate Change & Adaptive Capacity of Vulnerable Communities in Kenya under United Nations Framework Climate Change Convention (UNFCCC)	KEN/NIE/Multi/2013/1	ADAPTATION FUND BOARD	The project official start date is 01 05 2016- The project end date has been extended to	One billion	Yes	Yes
2 Africa Environmental Health & Pollution Management Project	P167788	World Bank	The project official start date is 2020 The project end date is 2025	820 Million	Yes	Yes
3.GCF Readiness and Preparatory Support	KEN-RS-003	Green Climate Fund	The project official start date is April 2020. The project end date is April 2023	43 Million	Yes	Yes
4.GCF Project Preparatory Facility	KEN-PPF-010	Green Climate Fund	The project official start date is April 2020. The project end date is April 2023	37 Million	Yes	Yes

**Status of Projects completion**

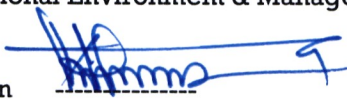
	Project	Total project Cost	Total expended to date KShs	Completion % to date	Budget	Actual	Sources of funds
					KShs	KShs	
1	Integrated Programme to Build Resilience to Climate Change & Adaptive Capacity of Vulnerable Communities in Kenya under United Nations Framework Climate Change Convention (UNFCCC)	One billion	709,648,539	71%	137,900,000	123,822,213	GRANT (ADAPTATION FUND)
2	Africa Environmental Health & Pollution Management Project	820 Million	27,826,541	3%	142,600,000	27,826,541	World Bank
3	GCF Readiness and Preparatory Support	43 Million	24,348,248	56%	19,910,423	18,589,321	Green Climate Fund
4	GCF Project Preparatory Facility	37 Million	8,258,454	22%	31,387,985	4,647,291	Green Climate Fund

**XXI. Appendix 2: Inter-Entity Transfers**

	<b>ENTITY NAME:</b>	<b>NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY</b>		
	<b>Break down of Transfers from the Ministry of Environment and Forestry FY 2021-2022</b>			
<b>a.</b>	<b>Recurrent Grants</b>			
		<b>Bank Statement Date</b>	<b>Amount (KShs)</b>	<b>FY to which the amounts relate</b>
		16-Aug-2021	286,000,000.00	2021-2022
		29-Nov-2021	286,000,000.00	2021-2022
		4-Feb-2022	286,000,000.00	2021-2022
		6-May-2022	286,000,000.00	2021-2022
		5-July-2022	40,000,000.00	2021-2022
		<b>Total</b>	<b>1,184,000,000.00</b>	
<b>b.</b>	<b>Development Grants</b>			
		22-Sep-2021	30,000,000.00	2021-2022
		5-July-2022	20,000,000.00	2021-2022
		<b>Total</b>	<b>50,000,000.00</b>	
<b>c.</b>	<b>Other Grants:</b>			
	-	-	-	
		<b>Total</b>		
<b>d.</b>	<b>Donor Receipts</b>			
	<b>AEHPMP</b>	29-December-2021	9,905,263.35	2021-2022
	<b>Total</b>		-	
		<b>Total</b>	<b>1,243,905,263.35</b>	

Director Corporate Services  
National Environment & Management Authority

Sign



Head of Accounting Unit  
Ministry of Environment & Forestry

Sign



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**xii. Appendix 3: Recording of Transfers from Other Government Entities**

Ministry of Environment and Forestry	06/05/2022	Recurrent	286,000.00	286,000.00							286,000.00
Ministry of Environment and Forestry	04/02/2022	Recurrent	286,000.00	286,000.00							286,000.00
Ministry of Environment and Forestry	29/11/2021	Recurrent	286,000.00	286,000.00							286,000.00
Ministry of Environment and Forestry	16/08/2021	Recurrent	286,000.00	286,000.00							286,000.00
Ministry of Environment and Forestry	05/07/2022	Recurrent	40,000.00	40,000.00							40,000.00

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Ministry of Environment and Forestry	22/09/2021	Development	30,000.00				30,000.00				30,000.00
Ministry of Environment and Forestry	05/07/2022	Development	20,000.00					20,000.00			20,000.00
Ministry of Environment and Forestry – World Bank	29/12/2021	Donor- World Bank	9,905				9,905				9,905
<b>Total</b>			1,243,905.00	1,184,000.00	-	39,905.00	20,000.00	-			1,243,905.00