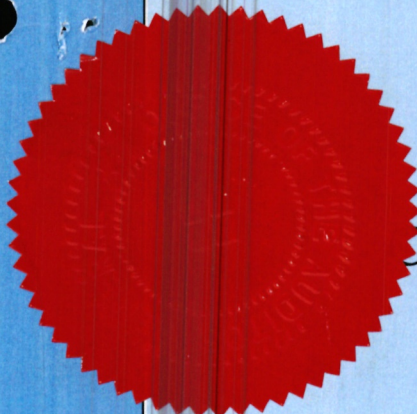


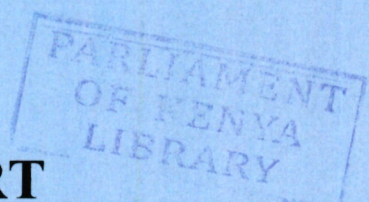
REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



THE NATIONAL ASSEMBLY PAPERS LAID		DAY. TUE
DATE:	07 MAY 2019	
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CLERK-AT THE-TABLE:	Moses hemonga	



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
STATE DEPARTMENT OF ENVIRONMENT**

**FOR THE YEAR ENDED
30 JUNE 2018**

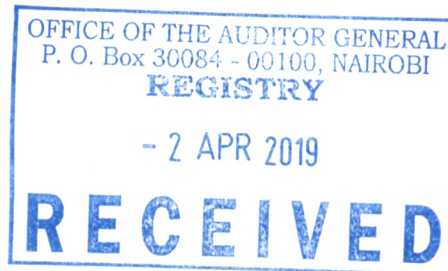




STATE DEPARTMENT FOR ENVIRONMENT
REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018

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



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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

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

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

(b) Fiduciary Management

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

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

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

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

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

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

(c) Fiduciary Management

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

No.	Designation	Name
1.	Accounting Officer	Mr. Charles Sunkuli
2.	Environment Secretary	Alice Kaudia,(Phd,HSC)
3.	Director of Administration	Charity M. Bokindo
5.	Chief Economist	Anthony N. Mugane
6.	Secretary Administration	William Kiprono
7.	Director Kenya Meteorological Services	Peter Ambeje
8.	Head of Accounting Unit	Peninah Njugunah
9.	Principal Internal Audit	Lucy Kabaya
10.	Director Human Resource Management & Development	M.S. Gitari
11.	Head of Supply Chain Management	Chepkemoi Kerich
12.	Director Nairobi River Basin Programme	Erick FN Akotsi
13.	Director National Environment Management Authority	Prof. Geoffrey Wahungu
14.	Chief Finance Officer	Pauline Luganje

(d) Fiduciary Oversight Arrangements

Audit and finance Committee

(i) Mandate

The mandate of the audit committee shall include:-

- Assisting the accounting officer/chief executive officer in enhancing internal controls in order to improve efficiency, transparency and accountability.
- Reviewing audit issues raised by both internal and external auditors.

Resolving unsettled and unimplemented Public Accounts and Public Investments Committees (PAC/PIC) recommendations.

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

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

(ii) Duties and Responsibilities

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

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

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

STATE DEPARTMENT FOR ENVIRONMENT
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(e) STATE DEPARTMENT FOR ENVIRONMENT

P.O. Box 30126-00100
NHIF Building
RAGATI Road
Nairobi, KENYA

(f) STATE DEPARTMENT FOR ENVIRONMENT

Telephone:(254) 020 2730808/9
E-mail: ps@environment.go.ke
Website: www.environment.go.ke

(g) STATE DEPARTMENT FOR ENVIRONMENT

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

2. Kenya Commercial Bank
...
...
...

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

II. FORWARD BY THE CABINET SECRETARY

The Ministry of Environment and Natural Resources as previously constituted was established vide Executive Order No. 1 of 2016 on the organization of government of Kenya. It is mandated to undertake National Environment Policy and Management, Protection and conservation of Natural environment, Pollution control, Lake Victoria management programme, Restoration of Lake Naivasha basin, Kenya Meteorological department, Kenya meteorological training, Conservation and protection of wetlands and Climate change affairs. During the 2017/18 Financial Year, the approved budget (allocation) for the Ministry was Kshs.4,919 Million. The ministry's actual expenditure was Kshs. 4,429 Million. This translated to an absorption rate of 90%.

In line with the constitution and the Kenya's development agenda (The Vision 2030 and The Big Four Agenda), various initiatives were implemented through the following three (3) programmes in the review period of 2017/2018. The programmes were Environment Management and Protection; Meteorological Services; and General Administration, Planning and Support Services. These programmes achieved the following:

To strengthen environmental governance the Ministry implemented plastic ban regulation all over the country; Developed National Environment Policy, Wetland Policy and climate change policy; Rehabilitated 120 km of riparian in urban areas of Nairobi, Baringo, UasinGishu, Busia, Kisumu, Kisii, Migori, Nyeri, Laikipia and Kilifi; Completed Three Sewerage facilities in Kisumu, Homabay and Bomet; Established the status of waste management and pollution levels and developed actions plans for five (5) towns namely Mombasa, Thika, Nakuru, Eldoret and Kisumu; and 4,560 No. of licenses issued as per regulations on EIA, Effluent Discharge, waste, Registration of EIA/EA Experts, ODS and Air quality regulations.

To provide reliable weather and climate information for decision making the Ministry installed six (6) seismic systems in Kibwezi, Lodwar, Voi, Nakuru, Kakamega, and Isiolo; installed three (3) airport weather observing systems in Eldoret, Kisumu and JKIA; Installed two (2) hydrogen generators at Lodwar and Garisa Upper Station. Other achievements were a research was done on mango value added products and off grid energy and documented; mobilized 20 Million for capacity building through NETFUND; capacity build 23 Counties on the mainstreaming renewable energy for

STATE DEPARTMENT FOR ENVIRONMENT
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household cooking and lighting in their CIDPs, Three Community schools were supported on Climate Change adaptation.

There are several emerging issues in the Ministry; first the Ministry lacks adequate office space caused by the movement of new Department of Forest Conservation which was brought to the Ministry by the executive order No.1/2018. This has an additional rental budget of Kshs.56 Million but was not factored in the 2018/19 budget. Secondly, the Ministry also lacks of funds to Implement the following activities presidential directive on fast tracking the realization of the 10% tree cover by 2022 instead of 2030; the task force recommendation on logging and harvesting in public and community forests; and to rehabilitate the repossessed forest land in Mau, Mt Elgon, Cheranganyi and Chepyuk areas.

Despite these achievements and emerging issues the Ministry faced a number of challenges listed as follows. Pending bills totalling to Kshs.1,088,990,069 which arose mainly due to none release of exchequer and budget cuts. The pending bills are broken down as follows;Kshs.74,885,041 are owed for Construction of buildings; Kshs.5,100,000are owed for construction of civil works; Kshs.912,547,783.21 being pending bills for supply of goods; and Kshs.96,367,244.79 being pending bills for supply of services. In order to clear these pending bills the Ministry has constituted an adhoc committee to verify the pending bills as we source for funds to clear them.

The ministry also experienced severe budget cuts of up to 75% in the financial year 2017/18 which affected the achievement of its objectives. This budget cuts led to an accumulation of pending bills totalling to Kshs.1,088,900,069.The Ministry has serious succession management issues. Senior management staffs have exited the service upon retirement and have not been replaced. The ministry has made requests to the National Treasury to allow the Ministry to fill the various positions.

With the support of all stakeholders, it is my hope that the Ministry will continue to play its role as articulated in the Executive Order 1/2018.



KERIAKO TOBIKO, CBS, SC
CABINET SECRETARY

III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2013 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

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

The Accounting Officer in charge of the State Department for Environment accepts responsibility for the entity's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2018, and of the entity's financial position as at that date. The Accounting Officer charge of the (State Department for Environment) further confirms the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in-charge of the(State Department for Environment)confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants(where applicable), and that the entity's funds received during the year under audit were

STATE DEPARTMENT FOR ENVIRONMENT
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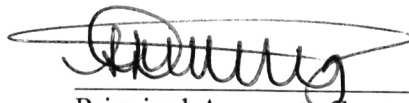
used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the entity's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The *State Department for Environment's* financial statements were approved and signed by the Accounting Officer on _____ 2018.



Principal Secretary
Name:



Principal Accounts Controller

Name: *REMJIUS OMONDO*
ICPAK Member Number:

REPUBLIC OF KENYA

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



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT OF ENVIRONMENT FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the State Department of Environment set out on pages 10 to 48 which comprise the statement of financial assets and liabilities as at 30 June 2018, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the State Department of Environment as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Accuracy, Completeness and Presentation of Financial Statements

1.1 Comparative Figures

As previously reported, the financial statements of the State Department as at 30 June 2017 and 2018 reflect comparative figures that mirror the closing balances of the defunct Ministry of Environment and Natural Resources. However, there was a demerger during the year under review separating the State Department of Natural Resources from the Ministry of Environment and Forestry. The effect and impact of the separation of the Ministry has not been considered in the comparative figures to comply with IPSAS No. 1 and 3 requirements. Further, the comparative figures in the financial statements do not agree with the comparative balances of the audited financial statements.

1.2 Unsupported Prior Year Adjustment

As previously reported, included in the financial statements under note 15 in 2016/17 financial year (and note 26 in the year under review is an amount of Kshs.146,183,034 and Kshs.8,397,829 respectively described as prior year adjustments on receivables and

Report of the Auditor-General on the Financial Statements of State Department of Environment for the year ended 30 June 2018

bank account balances which has not been explained or supported contrary to IPSAS 1. The adjustment could therefore not be verified as no information was provided for audit review.

In view of the foregoing, it has not been possible to confirm the accuracy and completeness of the financial statements for the year ended 30 June 2018.

2. Fixed Assets

2.1. Fixed Assets Register

During the year under review, assets worth Kshs.577,379,181 were acquired. However, a summary of fixed assets register was not provided for audit review yet the State Department has various assets including land and buildings across the country as well as vehicles and other equipment of undetermined value. In addition, the fixed assets inherited by the State Department from the defunct Ministry of Environment and Natural Resources have not been disclosed in the financial statements.

In the absence of a fixed assets register, it has not been possible to confirm that the fixed assets in the State Department's financial statements are fairly stated.

2.2 Loss of Government Vehicle

As previously reported in prior year, the State Department vehicle registration No. GK A 152Q (though assigned civilian number plate KAY 953F) valued at Kshs.5,460,000 was lost at Mlolongo area in Machakos County under unclear circumstances on 24 August 2013 at around 9.00 am and was at the time being driven by an unauthorized person. However, Government regulations on reporting of stolen vehicles were not followed while reporting the matter in the Ministry. It therefore seems that there is an intention to conceal the loss. Management has not initiated any measures to recover the loss of Kshs.5,460,000 from the responsible parties.

Consequently, the existence, ownership, security and accuracy of the fixed assets acquired and or inherited by the State Department could not be confirmed as at 30 June 2018.

3. Outstanding Imprest Understatement

During the year under review, the management did not explain how District Suspense of Kshs.5,680,515 under note 23 to the financial statements for the prior year was cleared. Further, the management did not provide the relevant schedules.

In the circumstances, it has not been possible to confirm whether the accounts receivables balance of Kshs.1,115,326 as at 30 June 2018 is fairly stated.

4. Pending bills

The pending bills amounting to Kshs.1,088,900,069 under note 28.1 chargeable to both recurrent and development votes for the State Department as at 30 June 2018 were not paid in the year under review but were instead carried forward to 2018/2019. Had those

bills been paid and expenditure charged, the statement of receipt and payments would reflect a deficit of Kshs.1,087,825,452. Failure to settle the bills during the year to which they relate distorts the financial statements for that year and adversely affect the provisions for the subsequent year to which they have to be charged.

5. Irregular Procurement and Payment - Construction of Embu County Office

The Metrological Department contracted M/S Cofard Construction (K) Ltd to construct a Model County Office in Embu in 2009 at a contract sum of Kshs.11,532,396 by floating a quotation contrary to the Public Procurement and Disposal Act, 2005. The contract sum was revised upwards to Kshs.14,548,499 without following the procedures. No contract was prepared and signed between the two parties in accordance with Public

Procurement and Disposal Act, 2005. As of the date of this report, the project has stalled casting doubt as to whether this was a proper charge to Public funds. The Ministry appears to have lost the Kshs.14,548,499 spent on the stalled project and is in breach of law.

The audit was conducted in accordance with International Standards of supreme audit Institutions (ISSAIs). I am independent of the State Department of Environment in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis on Matter

Budget Analysis

1.1 Revenue Shortfall

During the year under review, the State Department received exchequer amounting to Kshs.4,429,584,975 while the approved budget was Kshs.4,919,074,886 resulting to a shortfall of Kshs.489,489,911. Further, the State Department had budgeted to receive Kshs.3,750,000 from the sale of assets whose actual receipt was Kshs.1,750,000 resulting to a shortfall of Kshs.2,000,000.

1.2 Expenditure Budget Analysis

During the year under review, the State Department had a low absorption of the approved budget on the following items:

Expenditure Item	Approved Budget Kshs.	Actual Expenditure Kshs.	Under Expenditure Kshs.
Use of goods and Services	581,189,895	434,650,661	146,539,234
Transfers to Other Government Units	2,389,711,960	2,135,837,390	253,874,570
Other Grants and Transfers	43,905,040	28,534,691	15,370,350
Acquisition of Assets	631,467,991	577,379,181	54,088,810

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

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. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no Key Audit Matters to communicate in my report.

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective

processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the State Department ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to terminate the State Department or have no realistic alternative but to do so.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

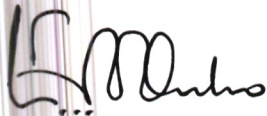
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the State Department's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material

uncertainty exists related to events or conditions that may cast significant doubt on the State Department'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 State Department to cease to continue as a going concern or 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 State Department to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

18 March 2019

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


V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2017-2018 Kshs	2016-2017 Kshs
RECEIPTS			
Tax Receipts	1		
Social Security Contributions	2		
Proceeds from Domestic and Foreign Grants	3	33,610,000	
Exchequer releases	4	4,209,800,166	4,777,671,490
Transfers from Other Government Entities	5		
Proceeds from Domestic Borrowings	6		
Proceeds from Foreign Borrowings	7	80,000,000	
Proceeds from Sale of Assets	8	1,750,000	1,750,000
Reimbursements and Refunds	9		
Returns of Equity Holdings	10		
Other Receipts	11	104,424,809	159,560,430
TOTAL RECEIPTS		4,429,584,975	4,938,981,920
PAYMENTS			
Compensation of Employees	12	1,249,193,436	1,231,898,983
Use of goods and services	13	434,650,661	830,074,824
Subsidies	14		
Transfers to Other Government Units	15	2,135,837,390	1,957,181,570
Other grants and transfers	16	28,534,691	33,604,422
Social Security Benefits	17	2,915,000	4,999,999
Acquisition of Assets	18	577,379,181	872,524,939
Finance Costs, including Loan Interest	19		
Repayment of principal on Domestic and Foreign borrowing	20		
Other Payments	21		
TOTAL PAYMENTS		4,428,510,358	4,930,284,738
SURPLUS/DEFICIT		1,074,617	8,697,182

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on _____ 2018 and signed by:



Principal Secretary
Name:



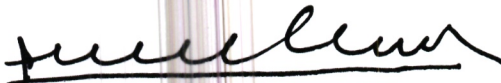
Principal Accounts Controller
Name: **REMIGUS BUNDO**
ICPAK Member Number:

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

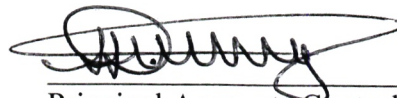
VI. STATEMENT OF ASSETS AND LIABILITIES

	Note	2017-2018 Kshs	2016-2017 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	22A	1,330,209	54,991,707
Cash Balances	22B	217	8,249
Total Cash and cash equivalent		1,330,426	54,999,956
Accounts receivables –	23	1,115,326	6,964,157
TOTAL FINANCIAL ASSETS		2,445,752	61,964,113
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	24	1,071,781	53,266,931
NET FINANCIAL ASSETS		1,373,971	8,697,182
REPRESENTED BY			
Fund balance b/fwd	25	8,697,182	146,183,034
Prior year adjustment	26	(8,397,829)	(146,183,034)
Surplus/Deficit for the year		1,074,617	8,697,182
NET FINANCIAL POSSITION		1,373,970	8,697,182

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on _____ 2018 and signed by:



Principal Secretary
Name:



Principal Accounts Controller
Name: **REMJIUS OKONKO**
ICPAK Member Number:

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

VII. STATEMENT OF CASHFLOWS

		2017-2018	2016-2017
		Kshs	Kshs
Receipts for operating income			
Tax Revenues	1		
Social Security Contributions	2		
Proceeds from Domestic and Foreign Grants	3	33,610,000	
Exchequer Releases	4	4,209,800,166	4,777,671,490
Transfers from Other Government Entities	5		
Reimbursements and Refunds	9		
Returns of Equity Holdings	10		
Other Revenues	11	104,424,809	159,560,430
		4,347,834,975	4,937,231,920
Payments for operating expenses			
Compensation of Employees	12	(1,249,193,435)	(1,231,898,983)
Use of goods and services	13	(434,650,662)	(830,074,824)
Interest payments			
Subsidies	14		
Transfers to Other Government Units	15	(2,135,837,389)	(1,957,181,570)
Other grants and transfers	16	(28,534,691)	(33,604,422)
Social Security Benefits	17	(2,915,000)	(4,999,999)
Finance Costs, including Loan Interest	20		
Other Expenses	22		
		(3,851,131,177)	(4,057,759,798)
Adjusted for:			
Changes in receivables		5,848,831	56,981,412
Change in payables		(52,195,150)	(3,817,851)
Adjustments during the year		(8,397,829)	(146,183,034)
		(54,744,148)	(93,019,473)
Net cash flow from operating activities		441,959,650	786,452,649
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	8	1,750,000	1,750,000
Acquisition of Assets	18	(577,379,181)	(872,524,939)
Net cash flows from Investing Activities		(575,629,181)	(870,774,939)
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Domestic Borrowings	6		
Proceeds from Foreign Borrowings	7	80,000,000	
Repayment of principal on Domestic and Foreign borrowing	21		
Net cash flow from financing activities		(80,000,000)	
NET INCREASE IN CASH AND CASH EQUIVALENT		(53,669,531)	(84,322,290)
Cash and cash equivalent at BEGINNING of the year	24	54,999,957	139,322,247
Cash and cash equivalent at END of the year	25	1,330,425	54,999,957

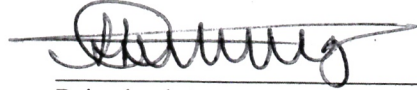
The accounting policies and explanatory notes to these financial statements form an integral part of the

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

financial statements. The entity financial statements were approved on _____ 2018 and signed by:



Principal Secretary
Name:



Principal Accounts Controller
Name: **RENTJUS OKONKO**
ICPAK Member Number:

VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actuals Comparable Basis	Budget Utilization Difference	% of Utilization
					e-c-d	f-d/c %
RECEIPTS						
Tax Receipts						
Social Security Contributions						
Proceeds from Domestic and Foreign Grants	128,679,000	(50,069,000)	78,610,000	33,610,000	45,000,000	43%
Exchequer releases	3,070,521,000	1,581,043,886	4,651,564,886	4,209,800,166	441,764,720	91%
Transfers from Other Government Entities						
Proceeds from Domestic Borrowings						
Proceeds from Foreign Borrowings		80,000,000	80,000,000	80,000,000	0	100%
Proceeds from Sale of Assets(AIA)	1,875,000	1,875,000	3,750,000	1,750,000	2,000,000	47%
Reimbursements and Refunds						
Returns of Equity Holdings						
Other Receipts	52,575,000	52,575,000	105,150,000	104,424,809	725,191	99%
TOTAL RECEIPTS	3,253,650,000	1,665,424,886	4,919,074,886	4,429,584,975	489,489,911	90%
PAYMENTS						
Compensation of Employees	628,400,000	639,400,000	1,267,800,000	1,249,193,436	18,606,565	99%
Use of goods and services	267,764,239	313,425,656	581,189,895	434,650,661	146,539,234	75%
Interest payments						
Subsidies						
Transfers to Other Government Units	1,592,897,480	796,814,480	2,389,711,960	2,135,837,390	253,874,570	89%
Other grants and transfers	16,802,520	27,102,520	43,905,040	28,534,691	15,370,350	65%
Social Security Benefits	2,500,000	2,500,000	5,000,000	2,915,000	2,085,000	58%
Acquisition of Assets	745,285,761	(113,817,770)	631,467,991	577,379,181	54,088,810	91%
Finance Costs, including Loan Interest						

STAT DEPARTMENT FOR ENVIRONMENT

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For the year ended June 30, 2018

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
		b	c=a+b	d	e=c-d	f=d/c%
Repayment of principal on Domestic and Foreign borrowing						
Other Payments						
TOTAL PAYMENTS	3,253,650,000	1,665,424,886	4,919,074,886	4,428,510,358	490,564,528	90%
Surplus/ Deficit	0	0	0	(1,074,617)	(1,074,617)	

Notes

(a) There was a realization of AIA of Kshs.3,750,000.00 as indicated above.

(b) The underutilization below 90% is as explained below:-

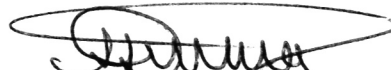
- i. 43% proceeds from Domestic and Foreign Grants(LCRED)(AIA) was due to Donor Funding.
- ii. 47% Proceeds from sale of Assets was because of Disposal of Assets by the Ministry.
- iii. 75% Use of goods and services was due to procurement procedures and underfunding.
- iv. 89% Transfers to other Government Units was due to underfunding.
- v. 65% Other grants and transfers was due to underfunding.
- vi. 58% Social Security Benefits was due to underfunding.

(c) The changes between the original and final budget was as a result of budget cuts (Supplementary Estimates).

The entity financial statements were approved on _____ 2018 and signed by:



Principal Secretary
Name:



Principal Accounts Controller
Name: REMIUS OKONKI
ICPAK Member Number:

IX. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actuals on Comparable Basis	Budget Utilization Difference	% of Utilization
					r-d	r-d/c %
RECEIPTS						
Tax Receipts						
Social Security Contributions						
Proceeds from Domestic and Foreign Grants						
Exchequer releases	1,364,700,000	1,784,141,011	3,148,841,011	3,148,646,781	194,230	100%
Transfers from Other Government Entities						
Proceeds from Domestic Borrowings						
Proceeds from Foreign Borrowings						
Proceeds from Sale of Assets(AIA)	1,875,000	1,875,000	3,750,000	1,750,000	2,000,000	47%
Reimbursements and Refunds						
Returns of Equity Holdings						
Other Receipts	52,575,000	52,575,000	105,150,000	104,424,809	725,191	99%
TOTAL RECEIPTS	1,419,150,000	1,838,591,011	3,257,741,011	3,254,821,590	2,919,421	100%
PAYMENTS						
Compensation of Employees	595,150,000	606,150,000	1,201,300,000	1,197,797,348	3,502,652	100%
Use of goods and services	184,639,239	265,996,281	450,635,520	364,992,759	85,642,761	81%
Interest payments						
Subsidies						
Transfers to Other Government Units	614,197,480	938,197,480	1,552,394,960	1,477,649,721	74,745,239	95%
Other grants and transfers	16,802,520	27,102,520	43,905,040	28,534,690	15,370,350	65%
Social Security Benefits	2,500,000	2,500,000	5,000,000	2,915,000	2,085,000	58%
Acquisition of Assets	5,860,761	(1,355,270)	4,505,491	4,337,420	168,071	96%
Finance Costs, including Loan Interest						

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
Repayment of principal on Domestic and Foreign borrowing						
Other Payments						
TOTAL PAYMENTS	1,419,150,000	1,838,591,011	3,257,741,011	3,076,226,939	181,514,072	94%
Surplus/Deficit	0	0	0	178,594,651	(178,597,651)	

Notes

(d) There was a realization of AIA as indicated above.

(e) The underutilization below 90% is as explained below:-

- i. 81% Use of goods and services was due to procurement procedures and underfunding.
- ii. 65% Other grants and transfers was due to underfunding.
- iii. 58% Social Security Benefits was due to underfunding.
- iv. 47% Proceeds from sale of Assets was because of Disposal of Assets by the Ministry.

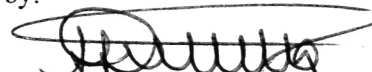
(f) The changes between the original and final budget was as a result of budget cuts (Supplementary Estimates).

The entity financial statements were approved on _____ 2018 and signed by:



Principal Secretary

Name:



Principal Accounts Controller

Name: RANJIV OKONG'

ICPAK Member Number:

X. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization (f-d/c)%
RECEIPTS						
Tax Receipts						
Social Security Contributions						
Proceeds from Domestic and Foreign Grants	128,679,000	(50,069,000)	78,610,000	33,610,000	45,000,000	43%
Exchequer releases	1,705,821,000	(203,097,125)	1,502,723,875	1,061,153,385	441,570,490	71%
Transfers from Other Government Entities						
Proceeds from Domestic Borrowings						
Proceeds from Foreign Borrowings		80,000,000	80,000,000	80,000,000		100%
Proceeds from Sale of Assets						
Reimbursements and Refunds						
Returns of Equity Holdings						
Other Receipts						
TOTAL RECEIPTS	1,834,500,000	(173,166,125)	1,661,333,875	1,174,763,385	486,570,490	71%
PAYMENTS						
Compensation of Employees	33,250,000	33,250,000	66,500,000	51,396,087	15,103,913	77%
Use of goods and services	83,125,000	47,429,375	130,554,375	69,657,902	60,896,473	53%
Interest payments						
Subsidies						
Transfers to Other Government Units	978,700,000	(141,383,000)	837,317,000	658,187,668	179,129,332	79%
Other grants and transfers						
Social Security Benefits						
Acquisition of Assets	739,425,000	(112,462,500)	626,962,500	573,041,761	53,920,739	91%
Finance Costs, including Loan Interest						

STATE DEPARTMENT FOR ENVIRONMENT

Reports and Financial Statements

For the year ended June 30, 2018

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
Repayment of principal on Domestic and Foreign borrowing						
Other Payments						
TOTAL PAYMENTS	1,834,500,000	(173,166,125)	1,661,333,875	1,352,283,419	309,050,456	81%
Surplus/Deficit	0	0	0	(177,520,034)	(309,050,456)	

Notes

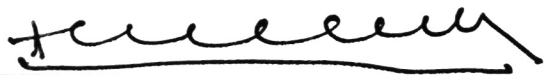
(a) [For the revenue items, indicate whether they form part of the AIA by inserting the "AIA" alongside the revenue category.]

(b) The underutilization below 90% is as explained below:-

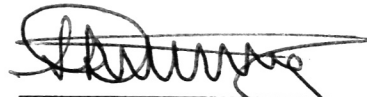
- i. 43% proceeds from Domestic and Foreign Grants(LCRED)(AIA) was due to Donor Funding.
- ii. 71% Exchequer Releases was due to under funding by National Treasury.
- iii. 53% use of goods and services was due to procurements procedures and under funding.
- iv. 79% Transfers to other Government Units was due to underfunding.
- v. 77% compensation of employees was due to underfunding.

(c) The changes between the original and final budget was as a result of budget cuts (Supplementary Estimates).

The entity financial statements were approved on _____ 2018 and signed by:



Principal Secretary
Name:



Principal Accounts Controller
Name: **REMJIU OKONGA**
ICPAK Member Number:

STATE DEPARTMENT FOR ENVIRONMENT

Reports and Financial Statements

For the year ended June 30, 2018

XI. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Original Budget 2017/18 Kshs	Adjustments 2017/18 Kshs	Final Budget 2017/18 Kshs	Actual on comparable basis 2017/18 Kshs	Budget utilization difference 2017/18 Kshs
1002000000	3,884,197,179	(1,013,930,607)	2,870,266,572	2,596,937,724.95	273,328,847.05
1002010000	3,677,094,960	(1,054,941,125)	2,622,153,835	2,393,787,034.20	228,366,800.80
1002030000	127,102,219	93,510,518	220,612,737	187,903,410.75	32,709,326.25
1002040000	80,000,000	(52,500,000)	27,500,000	15,247,280	12,252,720
1001000000	369,552,826	(39,016,183)	330,536,643	310,474,411.85	20,062,231.15
1010010000	369,552,826	(39,016,183)	330,536,643	310,474,411.85	20,062,231.15
1012000000	2,213,549,995	(495,278,324)	1,718,271,671	1,557,438,026.15	160,833,644.85
1012010000	1,879,549,995	(244,778,324)	1,634,771,671	1,485,512,526.10	149,259,144.90
1012010000	334,000,000	(250,500,000)	83,500,000	71,925,500.05	11,574,499.95
	GRAND TOTALS		4,919,074,886	4,464,850,162.95	454,224,723.05

(NB: This statement is a disclosure statement indicating the utilisation in the same format at the Entity's budgets which are programme based. Ensure that this document is completed to enable consolidation by the National Treasury)

XII. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with Cash-basis International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (PSASB) and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

2. Reporting Entity

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

- (i). Low Emission and Climate Resilient Development in Kenya low Emission*
- (ii). Support to Kenya for the Revision of the NBSAPs AND Development.*
- (iii). Mercury Initial Actions for Kenya (GoK)*
- (iv). Green Growth & Employment*

3. Reporting Currency

The financial statements are presented in Kenya Shillings (KShs), which is the functional and reporting currency of the Government and all values are rounded to the nearest Kenya Shilling.

4. Significant Accounting Policies

The accounting policies set out in this section have been consistently applied by the Entity for all the years presented.

a) Recognition of Receipts

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

- **Tax Receipts**

Tax receipts are recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received. (Check if this policy is applicable to entity)

SIGNIFICANT ACCOUNTING POLICIES

- **Transfers from the Exchequer**

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

- **External Assistance**

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

Grants and loans shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary.

In case of grant/loan in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice. A similar recognition criterion is applied for loans received in the form of a direct payment.

During the year ended 30th June 2018, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

- **Other receipts**

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

b) Recognition of payments

The Entity recognises all payments when the event occurs and the related cash has actually been paid out by the Entity.

- **Compensation of Employees**

Salaries and wages, allowances, statutory contribution for employees are recognized in the period when the compensation is paid.

- **Use of Goods and Services**

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

- **Interest on Borrowing**

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

SIGNIFICANT ACCOUNTING POLICIES

- **Repayment of Borrowing (Principal Amount)**

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

- **Acquisition of Fixed Assets**

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

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

5. In-kind contributions

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

6. Third Party Payments

Included in the receipts and payments, are payments made on its behalf to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties in the statement of receipts and payments as proceeds from foreign borrowings.

7. Cash and Cash Equivalents

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

Restriction on Cash

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

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2018, this amounted to Kshs 1,071,780.80 compared to Kshs 53,266,931.00 in prior period as indicated on note 24.

There were no other restrictions on cash during the year.

SIGNIFICANT ACCOUNTING POLICIES

8. Accounts Receivable

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

9. Accounts Payable

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

10. Pending Bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Entity at the end of the year. When the pending bills are finally settled, such payments are included in the Statement of Receipts and Payments in the year in which the payments are made.

11. Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament on June 2017 for the period 1st July 2017 to 30th June 2018 as required by Law and there were two supplementary adjustments to the original budget during the year.

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements.

Government Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers.

12. Comparative Figures

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

SIGNIFICANT ACCOUNTING POLICIES

13. Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 2018.

14. Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

During the year, errors that have been corrected are disclosed under note 26 explaining the nature and amounts.

15. Related Party Transactions

Related party relationships are a normal feature of commerce. Specific information with regards to related party transactions is included in the disclosure notes.

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

XIII. NOTES TO THE FINANCIAL STATEMENTS

1 TAX REVENUES

	2017-2018	2016-2017
	Kshs	Kshs
Taxes on Income, Profits and Capital Gains	-	
Taxes on Property	-	
Taxes on Goods and Services	-	
Taxes on International Trade and Transactions	-	
Other Taxes (not elsewhere classified)	-	
Total	-	

N/A

2 SOCIAL SECURITY CONTRIBUTIONS

	2017-2018	2016-2017
	Kshs	Kshs
Receipts for Health Insurance Contribution	-	-
Receipts to NHIF for Health Insurance Contributions	-	-
Receipts from Govt Employees to Social & Welfare Schemes in Govt	-	-
	-	-
Total	-	-

3 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

Name of Donor	Date received	Indicate whether it was a direct payment	Amount in foreign currency	2017-2018	2016-2017
				Kshs	Kshs
Grants Received from Bilateral Donors (Foreign Governments)				33,610,000	
(Insert name of donor)	-		-		-
(Insert name of donor)	-		-		-
Grants Received from Multilateral Donors (International Organisations)					
(Insert name of donor)	-		-		-
(Insert name of donor)	-		-		-
TOTALS				33,610,000	

Kshs.33,610,000 was direct payment from Donor for Low Emission and Climate Resilient Development in Kenya Low Emission.

STATE DEPARTMENT FOR ENVIRONMENT
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 USE OF GOODS AND SERVICES

	2017-2018	2016-2017
	Kshs	Kshs
Utilities, supplies and services	53,098,445	35,390,304
Communication, supplies and services	23,143,583	36,369,982
Domestic travel and subsistence	25,683,047	95,977,759
Foreign travel and subsistence	5,421,258	45,528,008
Printing, advertising and information supplies & services	1,809,906	2,346,433
Rentals of produced assets	65,681,088	97,920,624
Training expenses	4,636,626	12,927,642
Hospitality supplies and services	4,277,860	57,614,585
Insurance costs	48,271	50,000
Specialized materials and services	59,448,245	293,617,723
Office and general supplies and services	3,983,850	12,800,567
Other operating expenses	163,787,464	102,765,023
Routine maintenance – vehicles and other transport equipment	7,170,164	7,958,498
Routine maintenance – other assets	2,125,860	6,209,088
Exchange Rate Losses	14,334,993	
Fuel and Lubricants		22,598,588
Total	434,650,662	830,074,824

14 SUBSIDIES

Description	2017-2018	2016-2017
	Kshs	Kshs
Subsidies to Public Corporations		
<i>See list attached</i>	-	-
(insert name)		
Subsidies to Private Enterprises		
<i>See list attached</i>		
(insert name)		
TOTAL	-	-

No subsidies were received.

STATE DEPARTMENT FOR ENVIRONMENT
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2017-2018	2016-2017
	Kshs	Kshs
Transfers to National Government entities		1,000,121,085
(SCOA Codes 2630101	1,477,649,721	1,000,121,085
(SCOA Codes 2630201	219,244,794	26,948,216
SCOA 2640503 - Projects	438,942,874	930,112,269
other capital grants		
Transfers to other levels of Government		
Total	2,135,837,389	1,957,181,570

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

Description	Recurrent Kshs	Development Kshs	2017-2018
			Kshs
Transfers to SAGAs and SCs			-
National Environmental Management Authority	875,077,597	140,000,000	1,015,077,597
Public Complaints Committee	94,235,000		94,235,000
National Management Trust Fund	19,227,954		19,227,954
Sub Total	988,540,551	140,000,000	1,128,540,551
			-
Institutional Strengthening of Ozone Depleting substances		6,136,056	6,136,056
LVEMP Phase II		117,505,592	117,505,592
Sound Chemicals Management Mainstreaming	-	40,702,320	40,702,320
LOW EMISSION AND CLIMATE RESILIENT DEVELOPMENT IN KENYA LOW EMISSION	-	60,306,060	60,306,060
SUPPORT TO KENYA FOR THE REVISION OF THE NBSAPS AND DEVELOPMENT		11,183,810	11,183,810
GREEN INOVATION AWARD PROJECT-NETFUND		10,000,000	10,000,000
GREEN GROUTH AND EMPLOYMENT HEADQUARTERS	-	1,749,838	1,749,838
IMARISHA LAKE NAIVASHA CATCHMENT MANAGEMENT IN KENYA	-	17,499,998	17,499,998
LOW EMISSION AND CLIMATE RESILIENT DEVELOPMENT IN KENYA LOW EMISSION(AIA)	-	33,610,000	33,610,000
MERCURY	-	249,200	249,200

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	-	-	
Sub Total	-	298,942,874	298,942,874
TOTAL	988,540,551	438,942,874	1,427,483,425
LAKE VICTORIA ENVIRONMENT MANAGEMENT PROJECT (LVEMPII) AIA	-	80,000,000	80,000,000
GREEN INOVATION AWARD PROJECT-NETFUND	-	7,388,800	7,388,800
ADAPTATION FUND (NEMA)	-	100,106,000	100,106,000
CENTRES FOR EXCELLENCE AND INNOVATION ENVIRONMENT	-	11,249,994	11,249,994
IMPLIMENTATION OF NATIONAL GREEN ECONOMY STRATEGY THROUGH LOW CARBON	-	18,000,000	18,000,000
ESTABLISHMENT OF NATIONAL ENVIRONMENT RESTORATION PROJECT	-	2,500,000	2,500,000
Sub Total	-	219,244,794	219,244,794
NEMA,PCC AND NETFUND	489,109,170		489,109,170
GRAND TOTAL	1,477,649,721	658,187,668	2,135,837,389

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 OTHER GRANTS AND TRANSFERS

Explanation	2017-2018 Ksh	2016-2017 Ksh
Membership dues and subscriptions to international organizations	13,531,691	13,601,428
Scholarships and other educational benefits	15,003,000	20,002,994
Emergency relief and refugee assistance		
Grants to small businesses, cooperatives, and self employed		
Grants to foreign government		
Relief to the disabled, the sick, unemployed		
Total	28,534,691	33,604,422

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17 SOCIAL SECURITY BENEFITS

Explanation	2017-2018	2016-2017
	Kshs	Kshs
Government pension and retirement benefits	2,915,000	4,999,999
Social security benefits in cash and in kind	-	
Employer Social Benefits in cash and in kind	-	
Social Benefits to the aged(above 70 years)	-	
Total	2,915,000	4,999,999

These were gratuity to Civil Servants on contract.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 ACQUISITION OF ASSETS

Non Financial Assets	2017-2018	2016-2017
	Kshs	Kshs
Purchase of Buildings		
Construction of Buildings		
Refurbishment of Buildings		
Construction of Roads		
Construction and Civil Works	77,819,601	131,988,945
Overhaul and Refurbishment of Construction and Civil Works		
Purchase of Vehicles and Other Transport Equipment		
Overhaul of Vehicles and Other Transport Equipment	1,100,142	1,100,060
Purchase of Furniture and Institutional Equipment	319,998	1,830,784
Purchase of Office Furniture and General Equipment	1,215,397	4,539,599
Purchase Office Equipment, Software and Other ICT Assets		
Purchase of Specialized Plant, Equipment and Machinery	409,038,278	549,189,075
Rehabilitation and Renovation of Plant, Machinery and Equip.	999,995	999,999
Purchase of Certified Seeds, Breeding Stock and Live Animals	83,443,490	82,070,900
Research, Studies, Project Preparation, Design & Supervision		54,999,995
Purchase of Specialized Plant	3,442,280	
Rehabilitation of Civil Works		
Acquisition of Strategic Stocks and commodities		
Acquisition of Land		45,805,582
Acquisition of Intangible Assets		
Sub-total	577,379,181	872,524,939
Financial Assets		
Domestic Public Non-Financial Enterprises		
Domestic Public Financial Institutions		
Foreign financial Institutions operating Abroad		
Other Foreign Enterprises		
Foreign Payables - From Previous Years		

STATE DEPARTMENT FOR ENVIRONMENT
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Sub-total		
Total	577,379,181	872,524,939

No Financial Assets were purchased.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 FINANCE COSTS, INCLUDING LOAN INTEREST

Explanation	2017-2018	2016-2017
	Ksh	Ksh
Interest Payments on Foreign Borrowings	-	-
Interest Payments on Guaranteed Debt Taken over by Govt	-	-
Interest on Domestic Borrowings (Non-Govt)	-	-
Interest on Borrowings from Other Government Units	-	-
Total	-	-

(Provide details of the interest rate on all the debts taken up by the entity)

20 REPAYMENT OF PRINCIPAL ON DOMESTIC LENDING AND ON-LENDING

Explanation	2017-2018	2016-2017
	Ksh	Ksh
Principal repayments on domestic loans	-	-
Principal repayments on Guaranteed Debt taken over by Government	-	-
Repayments on borrowings from other domestic creditors	-	-
Repayment of Principal from Foreign Lending & On – Lending	-	-
Total	-	-

(Provide details of who the lenders are and the terms of each of the borrowing)

21 OTHER EXPENSES

Explanation	2017-2018	2016-2017
	Ksh	Ksh
Budget Reserves	-	-
Civil Contingency Reserves	-	-
Other expenses not classified elsewhere	-	-
	-	-

N/A

STATE DEPARTMENT FOR ENVIRONMENT
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

22A: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account-currency	Indicate whether recurrent, Development, deposit e.t.c	Exc rate (if in foreign currency)	2017-2018	2016-2017
				Kshs	Kshs
Central Bank of Kenya, a/c no.1000302224	-	RECURRENT	1	209,498	514,446
Central Bank of Kenya, a/c no.1000302232	-	Development	1	48,931	1,210,330
Central Bank of Kenya, a/c no.1000302248	-	Deposit	1	1,071,781	53,266,931
Total				1,330,209	54,991,707

22B: CASH IN HAND

	2017-2018	2016-2017
	Kshs	Kshs
Cash in Hand – Held in domestic currency	217	8,249
Cash in Hand – Held in foreign currency		
Total	217	8,249

Cash in hand should also be analysed as follows:

	2017-2018	2016-2017
	Kshs	Kshs
HQS	217	8,249
Location 2	-	-
Location 3	-	-
Other Locations (<i>specify</i>)	-	-
	-	-
Total	217	8,249

See certificates attached.

STATE DEPARTMENT FOR ENVIRONMENT
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

23: ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS

<i>Description</i>	<i>2017-2018</i>	<i>2016-2017</i>
	<i>Kshs</i>	<i>Kshs</i>
Government Imprests	202,300	807,083
Salary advances	913,026	291,104
Prepayment	-	185,455
District Suspense	-	5,680,515
Total	1,115,326	6,964,157

Below is the imprest schedule.

<i>Name of Officer or Institution</i>	<i>Date imprest Taken</i>	<i>Amount Taken</i>	<i>Amount Surrendered</i>	<i>Balance</i>
		<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
<i>CHRISTANTUS JUMA WEKESA</i>	26/4/2018	68,100	4/5/2018	68,100
<i>JOSHUA OGATO OKEMWA</i>	8/2/2018	134,200	28/3/2018	134,200
Total				202,300

(Attached is a salary advance scheduled).

24. ACCOUNTS PAYABLE

<i>Description</i>	<i>2017-2018</i>	<i>2016-2017</i>
	<i>Kshs</i>	<i>Kshs</i>
Deposits	1,071,780.80	53,266,931
Total	1,071,780.80	53,266,931

Retention for:-

<i>i.</i>	<i>M/s/ Gracan Construction</i>	<i>Kshs.514,217.60</i>
<i>ii.</i>	<i>Nyakio General Construction</i>	<i>Kshs.200,000.15</i>
<i>iii.</i>	<i>M/s Ngarwe Building Construction</i>	<i>Kshs.33,505.10</i>
<i>iv.</i>	<i>LVEMP Project</i>	<i>Kshs.124,057.95</i>
<i>v.</i>	<i>Start General Contractors</i>	<i>Kshs.200,000.00</i>
	Total	<u>Kshs.1,071,780.80</u>

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25. FUND BALANCE BROUGHT FORWARD

Description	2017-2018	2016-2017
	Kshs	Kshs
Bank accounts	54,991,707	138,993,049
Cash in hand	8,249	329,198
Receivables – Outstanding	6,964,157	63,945,569
Payables-Deposits	(53,266,931)	(57,084,782)
Total	8,697,182	146,183,034

The bank balance is reconciled as per the bank reconciliations attached.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. PRIOR YEAR ADJUSTMENTS

Description of the error	2017-2018	2016-2017
	Kshs	Kshs
Adjustments on bank account balances	1,724,776	
Adjustments on cash in hand		
Adjustments on payables		
Adjustments on receivables	6,673,053	(146,183,035)
Others (<i>specify</i>)		
	(8,397,829)	(146,183,035)

Prior year adjustment breakdown are as follows:

1. Outstanding Imprest	807,083.00
2. Prepayments	185,455.00
3. District Suspense	5,680,515.00
4. Recurrent Bank Balance	514,466.00
5. Development	1,210,330.00
TOTALS	<u>8,397,829.00</u>

27. RELATED PARTY DISCLOSURES

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS.

The following comprise of related parties to the *State department for environment*

- Key management personnel that include the Cabinet Secretaries and Accounting Officers
- Other Ministries Departments and Agencies and Development Projects;
- County Governments; and
- State Corporations and Semi-Autonomous Government Agencies.

Related party transactions:

	2017-2018	2016-2017
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STATE DEPARTMENT FOR ENVIRONMENT
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	Kshs	Kshs
Key Management Compensation		
Transfers to related parties		
Transfers to other MDAs		
Transfers to SCs and SAGAs		
Transfers to Development Project		
Transfers to County Governments		
Transfers to non reporting secondary and primary Schools		
Total Transfers to related parties		
Transfers from related parties		
Transfers from the Exchequer		
Transfers from other MDAs		
(Insert any other transfers received)		
Total Transfers from related parties	-	-

28. OTHER IMPORTANT DISCLOSURES

28.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

Description	2017-2018 Kshs	2016-2017 Kshs
Construction of buildings	74,885,041	xxx
Construction of civil works	5,100,000	xxx
Supply of goods	921,578,268.50	xxx
Supply of services	87,336,759.70	xxx
Total	1,088,900,069	xxx

28.2: PENDING STAFF PAYABLES (See Annex 2)

	2017-2018 Kshs	2016-2017 Kshs
Senior management	-	-
Middle management	-	-
Unionisable employees	-	-
Others (<i>specify</i>)	-	-
	-	-

28.3: OTHER PENDING PAYABLES (See Annex 3)

	2017-2018 Kshs	2016-2017 Kshs
Amounts due to National Government entities	-	-
Amounts due to Entity entities	-	-

STATE DEPARTMENT FOR ENVIRONMENT
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Amounts due to third parties	-	-
Others (<i>specify</i>)	-	-
	-	-

29. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

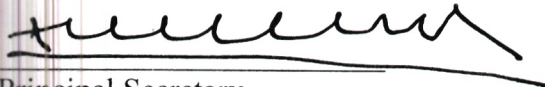
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Accuracy, completeness and Presentation of Financial Statements	The Ministry is working with the National Treasury Financial Reporting Unit and Ernest and Young on improving quality of the Financial Statement	Head of Accounts Unit.	Resolved	N/A
2	Cash and Cash Equivalents	Bank reconciliations and cash book adjustment done.	Head of Accounts Unit.	Resolved	N/A
3.1	Fixed Assets Register	The Ministry is in liaison with the National Treasury on the guidance on valuation of assets.	Head of Accounting Unit.	Not resolved	
3.2	Loss of Government Vehicle	The matter is with the police and the ministry is making follow ups.	Director of Administration and Transport officer.	Not resolved	
4	Pending Bills	The Ministry is in liaison with the National Treasury to get Budget allocation to settle the bills.	The Chief Finance Officer	Not resolved	31 st December, 2018
5	Outstanding Imprest	Schedules reconciled, recoveries initiated.	Head of Accounting Unit	Resolved	N/A

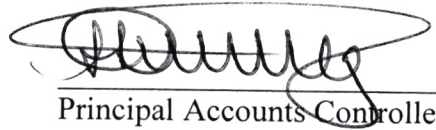
Guidance Notes:

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



Principal Secretary



Principal Accounts Controller

STATE DEPARTMENT FOR ENVIRONMENT
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ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Amount Contracted	Amount Paid To-Date	Outstanding Balance 20XX	Outstanding Balance 20XX	Comments
	A	B	c	d=a-c		
Construction of buildings						
1.						
2.						
3.						
Sub-Total						
Construction of civil works						
4.						
5.						
6.						
Sub-Total						
Supply of goods						
7.						
8.						
9.						
Sub-Total						
Supply of services						
10.						
11.						
12.						
Sub-Total						
Grand Total						

STATE DEPARTMENT FOR ENVIRONMENT
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ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Job Group	Original Amount	Date Payable (contract)	Amount Paid To Date	Outstanding Balance 2017	Outstanding Balance 2018	Comments
		a	b	c	d=a-c		
Senior Management							
1.							
2.							
3.							
Sub-Total							
Middle Management							
4.							
5.							
6.							
Sub-Total							
Unionisable Employees							
7.							
8.							
9.							
Sub-Total							
Others (specify)							
10.							
11.							
12.							
Sub-Total							
Grand Total							

STATE DEPARTMENT FOR ENVIRONMENT
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ANNEX 3 - ANALYSIS OF OTHER PENDING PAYABLES

Name	Transaction Description	Quantity	Unit Price	Amount Paid To Date	Outstanding Balance 2017	Outstanding Balance 2018	Comments
		a	b	c	d=a-c		
Amounts due to National Govt Entities							
1.							
2.							
3.							
	Sub-Total						
Amounts due to County Govt Entities							
4.							
5.							
6.							
	Sub-Total						
Amounts due to Third Parties							
7.							
8.							
9.							
	Sub-Total						
Others (specify)							
10.							
11.							
12.							
	Sub-Total						
	Grand Total						

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ANNEX 4–SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) 2017/2018	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost c/f (Kshs) 2018/2017
Land				
Buildings and structures				
Transport equipment				
Office equipment, furniture and fittings				
ICT Equipment, Software and Other ICT Assets				
Other Machinery and Equipment				
Heritage and cultural assets				
Intangible assets				
Total				

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

STATE DEPARTMENT FOR ENVIRONMENT

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ANNEX 5—LIST OF PROJECTS IMPLEMENTED BY THE ENTITY (*insert entity's name*)

Ref	Project Name	Principal activity of the project	Accounting Officer	Project consolidated in these financial statements (yes/no)
1				

STATE DEPARTMENT FOR ENVIRONMENT
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ANNEX 6–LIST OF SCs, SAGAs AND PUBLIC FUNDS UNDER THE ENTITY (State Department for Environment)

Ref	SC, SAGA or Public Fund's name	Principal activity of entity	Accounting Officer	Amount transferred during the year	Final entity reconciliations done (yes/no)
1	National Environmental Management Authority			1,015,077,597	YES
	Public Complaints Committee			94,235,000	YES
	National Management Trust Fund			19,227,954	YES
	TOTALS			1,128,540,551	

ANNEX 7- REPORTS GENERATED FROM IFMIS

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

- I.** GOK IFMIS Comparison Trial Balance
- II.** FO30 (Bank reconciliations) for all bank accounts
- III.** GOK IFMIS Receipts and Payments Statement
- IV.** GOK IFMIS Statement of Financial Position
- V.** GOK IFMIS Statement of Cash Flows
- VI.** GOK IFMIS Notes to the Financial Statements
- VII.** GOK IFMIS Statement of Budget Execution
- VIII.** GOK IFMIS Statement of Deposits
- IX.** GOK IFMIS Budget Execution by Programme and Economic Classification
- X.** GOK IFMIS Budget Execution by Heads and Programmes
- XI.** GOK IFMIS Budget Execution by Programmes and Sub-programmes

