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**ANNUAL REPORT
AND
ACCOUNTS**

For the year ended 30th June, 2003

**NATIONAL ENVIRONMENT MANAGEMENT
AUTHORITY (NEMA)
P.O. Box 67839 - 00200
Nairobi, Kenya.
Telephone 0254-020-605522
Fax: 0254-020-608997**

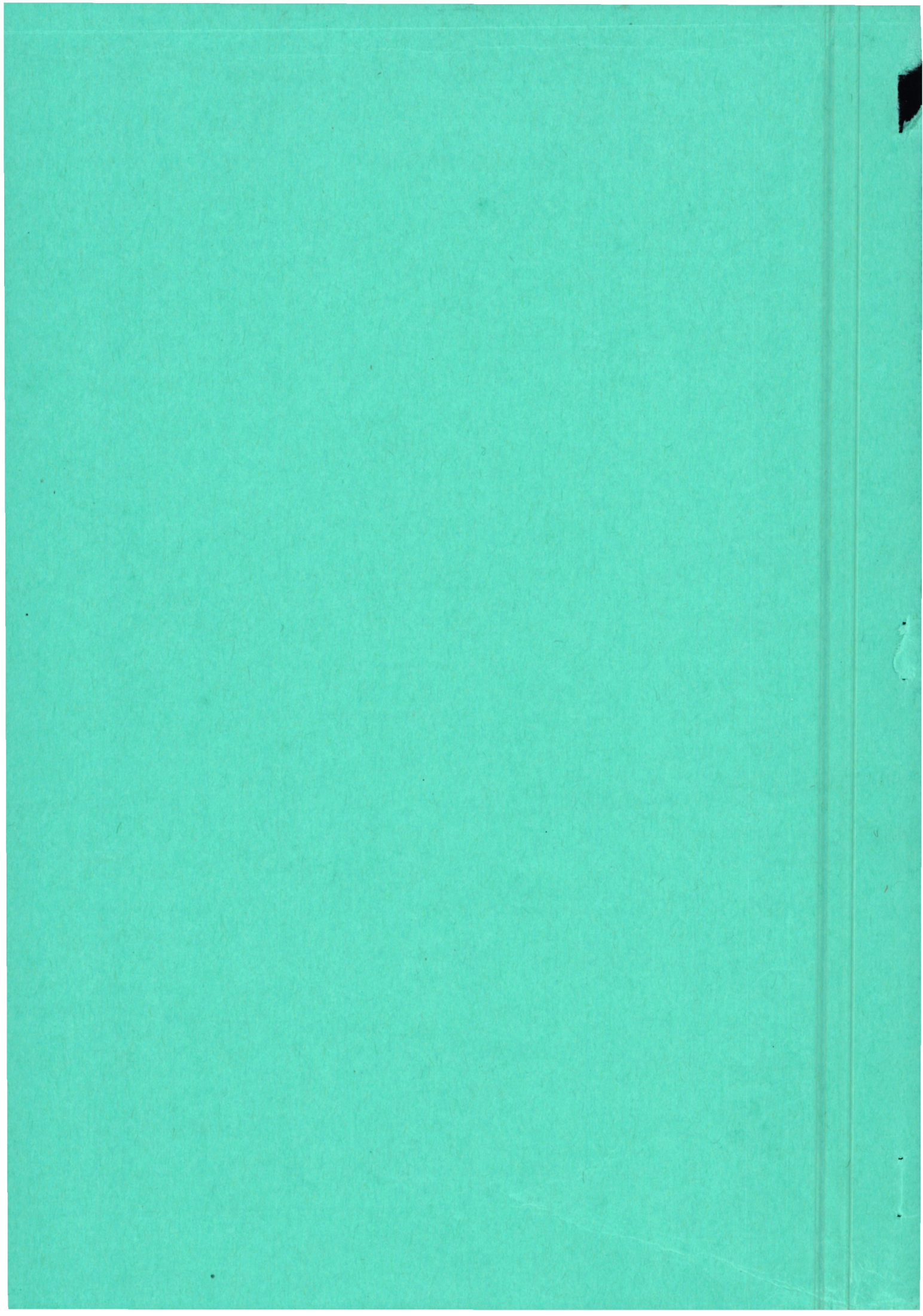


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THE PRINCIPAL OFFICERS OF THE AUTHORITY

Director General
Dr. A. Muusya Mwinzi

Director, Finance and Administration

Mr. David K. Cheruiyot

Ag. Director, Legal Services

Ms Anne Angwenyi

Director, Research and Planning

Dr. Kennedy I. Ondimu

Director, Compliance and Enforcement

Mr. Maurice O. Mbegera

Ag. Director, Environmental Education and Public Participation

Mrs. Beatrice Nzioka

Deputy Director, Coastal Marine and Fresh Waters

Mr. Ali Mohammed

CORE BUSINESS OF NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY

The core business of the Authority is provided for in the Environment Management and Coordination Act.1999.

The Act provides in section 9 (i) the functions and objectives of the Authority, which includes: -

1. Coordinating the various environmental management activities being undertaken by the lead agencies.
2. Promote the integration of environmental considerations into development policies, plans, programmes and projects, with a view to ensuring the proper management and rational utilization of environmental resources, on sustainable yield basis, for the improvement of the quality of human life in Kenya.
3. To take stock of the natural resources in Kenya and their utilization and conservation.
4. To establish and review land use guidelines.
5. Examine land use patterns to determine their impact on the quality and quantity of natural resources.
6. Carry out surveys, which will assist in the proper management and conservation of the environment.
7. Advise the Government on legislative and other measures for the management of the environment or the implementation of relevant international conventions, treaties and agreements.
8. Advise the Government on regional and international conventions, treaties and agreements to which Kenya should be a party and follow up the implementation of such agreements.
9. Undertake and coordinate research, investigation and surveys, collect, collate and disseminate information on the findings of such research, investigations or surveys.
10. Mobilize and monitor the use of financial and human resources for environmental management.
11. Identify projects and programmes for which environmental audit or environmental monitoring must be conducted under this Act.
12. Initiate and evolve procedures and safeguards for the prevention of accidents, which may cause environmental degradation and evolve remedial measures where accidents occur e.g. floods, landslides and oil spills.

13. Monitor and assess activities, including activities being carried out by relevant lead agencies, in order to ensure that the environment is not degraded by such activities. Management objectives must be adhered to and adequate early warning on impending environmental emergencies is given.
14. Undertake, in cooperation with relevant lead agencies, programmes intended to enhance environmental education and public awareness, about the need for sound environmental management, as well as for enlisting public support and encouraging effort made by other entities in that regard.
15. Publish and disseminate manual codes or guidelines relating to environmental management and prevention or abatement of environmental degradation.
16. Render advice and technical support, where possible, to entities engaged in natural resources management and environmental protection, so as to enable them to carry out their responsibilities satisfactorily.
17. Prepare and issue an annual report on the State of Environment in Kenya and in this regard, may direct any lead agency to prepare and submit to it a report on the state of sector of the environment under the administration of that lead agency.

CHAIRPERSON'S REPORT 30TH JUNE 2003

The National Environment Management Authority is a state corporation established by an Act of parliament, the Environmental Management and Coordination Act of 1999 of the laws of Kenya.

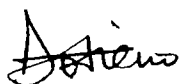
The objectives and purposes of the Authority is to exercise general supervision and co-ordination of all matters relating to the environment and to be the principal instrument of Government in implementing all policies relating to the environment.

The Authority commenced its operations from 1st January 2002 without the board of management. All its activities were coordinated by the Parent Ministry of Wildlife and Natural Resources until July 2002 when the Authority became autonomous but without the board of management which was appointed in March 2003.

To ensure success, the board will define clearly articulated policies and practices that reflect the Government commitment to the provision of clean and health environment for all.

The board of management will ensure the authority's governance practices and financial controls will comply with the regulations. It will also emphasize on high standards of integrity, legal compliance and management controls systems as key to long-term sustainable performance.

On behalf of the board of management, I wish to thank the Government of Kenya and the donors for their financial support that has enabled the Authority to achieve some of its objectives. I also thank the management and staff for their input in environmental management matters for achieving some of the Authority's objectives.



Dr. Dorcas Otieno
Chairperson

DIRECTOR GENERAL'S REPORT 30TH JUNE 2003

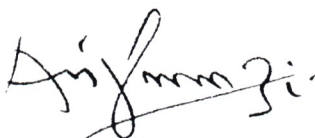
I am pleased to present the Annual Report and Accounts of the National Environment Management Authority for the year ended 30th June 2003.

During the year under review, the Authority recorded a surplus of Kshs 30,266,991 out of the Government grant, donor funds and internally generated funds all amounting to Kshs. 173,481,967.

The surplus was attributed by firstly, the Authority's inability to incur expenditure on some items such as personal emoluments since the Authority had not absorbed staff seconded from the Government ministries and their salaries were being paid by their respective ministries. Secondly, the board of management whose mandate is to approve the Authority's budget among other things was inaugurated in April 2003 towards the end of the financial year. No major activities were undertaken for the remaining months of the financial year.

Notwithstanding the difficulties and pressures resulting from the above constraints, the Authority continued to fulfil its objectives by focusing on setting standards and guidelines for implementing the Environment Management and Co-ordination Act.

On behalf of the Authority, I wish to express my gratitude to the Government and the donors for their financial support received during the year. I also thank the board of management and the staff for their dedication to the objectives of the Authority.



Dr. A. Muusya Mwinzi.
Director General

**STATEMENT OF THE AUTHORITY'S BOARD MEMBERS
RESPONSIBILITIES FOR THE YEAR ENDED 30TH JUNE 2003**

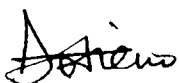
National Environment Management Authority (NEMA) is required to prepare statements, which give a true and fair view of the state of affairs of the Authority as at the end of the financial year, and of its surplus or deficit for that year. The Authority's Board of Management is required to ensure that the Authority maintains proper accounting records, which disclose, with reasonable accuracy, the financial position of the Authority. The Board of Management is also responsible for safeguarding the assets of the Authority.

The Board of Management accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, consistent with previous years and in conformity with International Financial Reporting Standards. The Board of Management is of the opinion that financial statements give a true and fair view of the state of the financial affairs of the Authority as at 30th June 2003 and of its surplus for the year then ended.

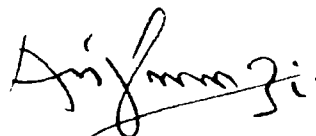
The Board further confirms the accuracy and completeness of the accounting records maintained by the Authority, which have been relied upon in the preparation of the financial statements, as well as on the adequacy of the system of internal financial control.

Nothing has come to the attention of the Board that the Authority will not remain a going concern for at least twelve months from the date of this statement.

This statement is approved by the Board and is signed on its behalf by:



Dr. Dorcas Otieno
CHAIRPERSON



Dr. A. Muusya Mwinzi
DIRECTOR GENERAL

AUTHORITY INFORMATION

PRINCIPAL PLACE OF BUSINESS

Eland House
Kapiti Road, Nairobi
P. O. Box 67839- 00200
Nairobi, Kenya

REGISTERED OFFICE

Eland House
Kapiti Road, Nairobi
P. O. Box 67839- 00200
Nairobi, Kenya

BANKERS

Kenya Commercial Bank Ltd.
KICC Branch
P. O. Box 24030- 00502
Nairobi, Kenya

Commercial Bank of Africa
Mama Ngina
P. O. Box 30437-00100
Nairobi, Kenya

Co-operative Bank of Kenya Ltd.
Haile Selassie
P. O. Box 48231- 00100
Nairobi, Kenya

AUDITORS

Controller & Auditor General
P.O. Box 30084 - 00100
GPO, Nairobi, Kenya

ADVOCATES

Mohamed & Kinyanjui Advocates
Corner House
Mama Ngina Street
P.O. Box 79692-00200
Nairobi, Kenya

M/S Simba & Simba Advocates
Finance House
Loita Street
P. O. Box 74815
Nairobi, Kenya

Mereka & Co Advacates
Ukulima Co-operative
Haile Selassie Avenue
P. O. Box 41620-00100
Nairobi, Kenya

THE AUTHORITY'S BOARD MEMBERS

| | |
|---|-------------------------|
| Dr. Dorcas Otieno | Chairperson |
| Dr. A. Muusya Mwinzi | Director General - NEMA |
| Mr. Maurice O. Mbegera | Director - NEMA |
| Mrs. Beatrice Nzioka | Director - NEMA |
| Dr. Kennedy Ondimu | Director - NEMA |
| Eng. James Gitau Muriuki | Member |
| Dr. Dominic Walubengo | Member |
| Prof. James H. P. Kahindi | Member |
| Prof Mohammed A. Jama | Member |
| Mr. Stephen Kipruto Arap Marisin | Member |
| Mr. Maluki Mwendwa | Member |
| P S. Ministry of Environment & Natural Resources | Member |
| PS. Ministry of Finance | Member |
| Inspectorate State Corporations | Member |
| Attorney General | Member |

FUNCTIONS AND RESPONSIBILITIES OF THE BOARD

The board is the governing body of the Authority. Its responsibilities are:

1. Control, supervise and administer the assets of the board in such a manner as best promotes the purpose for which the Board is established.
2. Determine the provisions to be made for capital and recurrent expenditure and for reserves for the Board.
3. Receive any grants, gifts, donations or endowments and make legitimate disbursements therefrom.
4. Enter into association with other bodies or organization within or outside Kenya as the Board may consider desirable or appropriate and in furtherance of the purpose for which the Board is established.
5. Open a banking account or banking accounts for the funds of the Board, and
6. Invest any funds of the Board not immediately required for its purpose in the manner provided under section 32 of the EMCA 1999.



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2003

I have audited the financial statements of National Environment Management Authority (NEMA) for the year ended 30 June 2003 in accordance with the provisions of Section 14 of the Public Audit Act, 2003.

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. The financial statements are in agreement with the books of account.

Respective responsibilities of the Board and the Controller and Auditor General

The Board is responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Authority and of its operating results. My responsibility is to express an independent opinion on the financial statements based on my audit.

Basis of Opinion

The audit was conducted in accordance with the International Standards on Auditing. Those standards require that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the Board, as well as an evaluation of the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

1. Late Submission of Financial Statements

The National Environmental Management Authority was established under the Environmental Management and Co-ordination Act, 1999 whose commencement date was 14 January 2000. However, the financial statements for year ended 30 June 2003 being the first year of operation, were submitted approximately three (3) years late on 15 September 2006 contrary to Section 13 (1) of the Public Audit Act, 2003. Consequently, I was unable to report on the financial statements within the statutory period of 31 December 2003. As far as I am aware, no extension of time for submission outside the statutory period was sought and approval given by the National Assembly as required by law. The Authority was, therefore, in breach of the law.

Opinion

Except for the above reservation, in my opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of affairs of the Authority as at 30 June 2003 and of its surplus and cash flows for the year then ended and comply with the Environmental Management and co-ordination Act, 1999.

P.N. KOMORA
CONTROLLER AUDITOR GENERAL

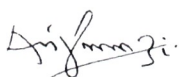
Nairobi
 19 March 2007

NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY

BALANCE SHEET
AS AT 30TH JUNE 2003

| | Notes | 2003 Kshs. |
|------------------------------------|-------|--------------------------|
| ASSETS | | |
| Non- Current Assets | | |
| Property, Plant and Equipment | 10 | 44,981,627 |
| CURRENT ASSETS | | |
| Trade and Other debtors | | 1,199,462 |
| Cash and Bank Balances | 8&9 | <u>3,762,669</u> |
| TOTAL ASSETS | | <u>49,943,758</u> |
| FUNDS AND LIABILITIES | | |
| Capital Fund | | 12,813,400 |
| Revenue Reserves | | <u>30,266,991</u> |
| | | 43,080,391 |
| Current Liabilities | | |
| Trade and Other payables | 6 | 6,097,975 |
| Bank overdraft | 9 | <u>765,392</u> |
| TOTAL FUNDS AND LIABILITIES | | <u>49,943,758</u> |

DR. A. MUUSYA MWINZI.....



.....

DIRECTOR GENERAL

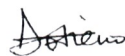
MR. DAVID K. CHERUIYOT



.....

DIRECTOR, FINANCE & ADMINISTRATION

DR. DORCAS OTIENO.....



.....

BOARD CHAIRPERSON

NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY

INCOME AND EXPENDITURE STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2003

| | | 2003 |
|----------------------------|-------|---------------------------------|
| | Notes | Kshs |
| Recurrent Government Grant | 4 | 168,823,394 |
| Other Income | 5 | <u>4,658,573</u> |
| | | 173,481,967 |
| Less: Expenditure: | | |
| Administrative Expenses | 6 | 99,664,317 |
| Extra - Ordinary Expense | 7 | <u>43,550,659</u> |
| | | <u>143,214,975</u> |
| Surplus | | <u><u>30,266,991</u></u> |

NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY
CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30TH JUNE 2003

| | 2003 |
|---|-------------------|
| | Kshs. |
| Cash flow from Operating Activities: | |
| Surplus during the year | 30,266,991 |
| Adjustment for: | |
| Provision for depreciation | 15,683,589 |
| Changes in Working Capital: | |
| Increase in Trade Debtors | (1,199,462) |
| Increase in Trade Creditors | 6,097,974 |
| Net cash from operating activities | 50,849,094 |
| Cash Flow from Investing Activities: | |
| Purchase of property, plant and equipment | (47,851,816) |
| Net decrease in cash and cash equivalent | 2,997,277 |
| Analysis of Cash and Cash equivalent | |
| Cash at Bank | 2,021,525 |
| Cash in hand | 975,752 |
| Cash and Cash equivalent at the end of the year | 2,997,277 |

**NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY
STATEMENT OF CHANGES IN EQUITY 30TH JUNE 2003**

| | Accumulated Fund | Revenue Reserve | Total |
|------------------------------------|-----------------------------|----------------------------|-------------------|
| | Kshs. | Kshs. | Kshs. |
| Balance as at 1st July 2002 | - | - | - |
| Additions in the Year | - | - | - |
| Surplus | - | 30,266,991 | 30,266,991 |
| As at 30th June 2003 | - | 30,266,991 | 30,266,991 |

**NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY
NOTES TO THE ACCOUNTS 30TH JUNE 2004**

ACCOUNTING POLICIES

1. GENERAL INFORMATION

The National Environment Management Authority is a State Corporation established by the Environmental Management and Co-ordination Act No. 8 of 1999 of the laws of Kenya.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the accounts statements are set out below:

(a) Basis of preparation

The financial statements are prepared under the historical cost convention and are in compliance with International Financial Reporting Standards (IFRS).

(b) Property, plant and equipment

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

| | |
|----------------------|-------|
| Motor Vehicles | 25% |
| Furniture & Fittings | 12.5% |
| Computer & Printers | 30% |
| Office Equipment | 12.5% |

(c) Inventories

There were no inventories at the end of the financial year on 30th June 2003.

(d) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and credit balances at the bank less bank overdraft.

3. PRINCIPAL ACTIVITY

The Authority's principal activity is to coordinate, educate and conduct public awareness campaigns, ensuring compliance and enforcement of standard and regulations on matters of environmental concerns.

**NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY
NOTES TO THE ACCOUNTS 2002/2003**

4. GOVERNMENT GRANT

Government grant represents the amount received during the year from the Kenya Government to meet the operational costs of the Authority. These amounts were received tabulated below

(i) RECURRENT GRANT

| Account code | Month | 2003 Kshs. |
|--------------|-----------|---------------------------|
| | July | 33,500,000 |
| | August | 33,500,000 |
| | September | - |
| | October | - |
| | November | - |
| | December | - |
| | January | 500,000 |
| | February | - |
| | March | 101,323,394 |
| | April | - |
| | May | - |
| | June | - |
| | | <u>168,823,394</u> |

5. OTHER INCOME

Other income was derived from canteen rent, sale of drums, maps and donor funds from the embassy of Netherlands and United Nations Environmental Programme (UNEP)

| Account Code | 2003 Kshs. |
|---------------------|-------------------------|
| Awareness campaigns | 2,500 |
| MENR grant | 146,000 |
| Netherlands Embassy | 440,546 |
| UNEP | 4,021,871 |
| Others | 47,656 |
| | <u>4,658,573</u> |

NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY
NOTES TO THE ACCOUNTS 2002/2003

6. EXPENDITURE
Account Code

2003
Kshs.

| | |
|---|-------------------|
| Personal Emoluments | 3,993,500 |
| Training Expenses | 1,171,767 |
| Transport Operating Expenses | 7,413,497 |
| Aircraft Operating Expenses | 2,565,400 |
| Travelling & Accommodation | 4,457,120 |
| External Travelling & accomodation | 13,958,806 |
| Postal & Telegrams | 132,080 |
| Telephone Expenses | 2,238,794 |
| Official Entertainment | 456,115 |
| Board, Committees & Conference Expenses | 20,392,195 |
| Celebration of Official Ceremonies | 2,266,859 |
| Electricity Expenses | 446,051 |
| Water & Conservancy | 24,163 |
| Purchase of Uniform | 78,200 |
| Library Expenses | 607,127 |
| Purchase of Stationary | 6,513,082 |
| Advertising & Publicity | 2,103,651 |
| Rent | 4,113,542 |
| Contracted Professional Services | 4,694,500 |
| Computer Expenses | 46,200 |
| Insurance | 914,124 |
| Milscellaneous Expenses | 1,238,648 |
| Bank Charges & Commissions | 36,323 |
| Maintenance of Plant & Equipment | 1,789,014 |
| Maintenance of Buildings & Stations | 2,029,972 |
| Provision for audit fees | 300,000 |
| Provision for Depreciation | 15,683,589 |
| | <u>99,664,317</u> |

NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY

NOTES TO THE ACCOUNTS 2002/2003

2003

Kshs.

7. EXTRA ORDINARY EXPENSE

An amount of Kshs 43,550,658 50 was paid as final dues to staff of Regional Center who left the employment

8. CASH IN HAND

2003

Kshs.

| | |
|---------------------|----------------|
| Recurrent Account | 921,152 |
| Development Account | <u>54,600</u> |
| | <u>975,752</u> |

9. CASH AT BANK

2003

Kshs.

| | |
|---------------------|------------------|
| Recurrent Account | (765,392) |
| Development Account | <u>2,786,917</u> |
| | <u>2,021,525</u> |

NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY

10. PROPERTY, PLANT & EQUIPMENT SCHEDULE

| DETAILS | MOTOR VEHICLES Kshs. | FURNITURE & FITTINGS Kshs. | COMPUTERS & PRINTERS Kshs. | OFFICE EQUIPMENT Kshs. | TOTAL Kshs. |
|-----------------------------------|----------------------------|----------------------------------|----------------------------------|------------------------------|-------------------|
| DEPRECIATION RATES | 25% | 12.5% | 30% | 12.5% | |
| COST / VALUATION | | | | | |
| As at 1st July 2002 | 4,440,000 | 1,221,400 | 6,528,000 | 624,000 | 12,813,400 |
| Additions during the year | 30,967,458 | 1,888,787 | 14,469,172 | 526,399 | 47,851,816 |
| As at 30th June 2003 | 35,407,458 | 3,110,187 | 20,997,172 | 1,150,399 | 60,665,216 |
| PROVISION FOR DEPRECIATION | | | | | |
| As at 1st July 2002 | - | - | - | - | - |
| Charge for the Year | 8,851,865 | 388,773 | 6,299,152 | 143,800 | 15,683,589 |
| As at 30th June 2003 | 8,851,865 | 388,773 | 6,299,152 | 143,800 | 15,683,589 |
| NET BOOK VALUE AS AT : | | | | | |
| As at 30th June 2003 | 26,555,594 | 2,721,414 | 14,698,021 | 1,006,599 | 44,981,627 |

NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY
NOTES TO THE ACCOUNTS 2002/2003

11. TRADE AND OTHER PAYABLES

Account Code

| | |
|--------------------------------|--|
| Provision of Audit fees | 300,000 |
| Sharper Images Ltd | 744,134 |
| Pan African Insurance | 98,299 |
| Marcman General Agencies | 143,050 |
| Embanusy Self Help Group | 130,000 |
| Rosewood Office Systems Ltd. | 41,201 |
| Heritage Lithographers | 105,700 |
| Wigma Enterprises | 646,705 |
| The Panafric Hotel | 156,550 |
| Pone Agencies Ltd. | 5,100 |
| Fontana Enterprises Ltd. | 329,225 |
| Charles Bore | 15,000 |
| Stephen Njoroge | 3,000 |
| Topdeck Travel | 131,460 |
| Evanik suppliers | 79,200 |
| Telcom (K) Ltd. | 18,419 |
| The Standard Ltd. | 153,754 |
| Nation Media Group | 392,521 |
| Prakash Stores Ltd. | 6,435 |
| Extra Touch Florist | 30,000 |
| James Muriithi Murungu | 20,000 |
| Image Mate | 68,732 |
| The Copy Cat Ltd. | 128,343 |
| Nestak Agencies | 232,020 |
| Atlantic Website International | 152,810 |
| Stalfon General Suppliers | 657,220 |
| Brando Engravers | 35,000 |
| Cosmos Trading Co. | 175,000 |
| Hazina Office Equipment | 268,500 |
| Pastrang General Services | 38,100 |
| Pong Agencies Ltd. | 495,000 |
| Marko Enterprises | 297,500 |
| | <hr style="border-top: 1px solid black;"/> |
| | 6,097,978 |