REPUBLIC OF KENYA

KENYA NATIONAL AUDIT OFFICE

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF NATIONAL DROUGHT MANAGEMENT AUTHORITY

FOR THE YEAR ENDED 30 JUNE 2014

NATIONAL DROUGHT MANAGEMENT AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2014

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

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NATIONAL DROUGHT MANAGEMENT AUTHORITY FINANCIAL STATEMENTS AND ANNUAL REPPORT FOR THE YEAR ENDED 30TH JUNE 2014

I. KEY AUTHORITY INFORMATION AND MANAGEMENT

(a) Background information

The National Drought Management Authority was formed on 24th November2011 under the State Corporations Act (Cap 446) by legal notice no.171. The Authority is represented by the Cabinet Secretary for Ministry of Planning and Devolution, who is responsible for the general policy and strategic direction of the Authority.

(b) Principal Activities

Our Vision

To be a world class Authority in drought management and climate change adaptation.

Our Mission

To provide leadership and co-ordination of Kenya's management of drought risks and adaptation to climate change.

Our Core Values

- Committed to results
- Integrity and accountability
- Responsive to the needs of vulnerable groups
- Empowering and participatory approach
- Transformative innovation
- Respect for Diversity

II. OUR MANDATE

The Authority derives its mandate from Legal Notice No.171 of November 24,2011,which states that:

"The Authority shall, either on its own or in association with other authorities or persons, establish mechanisms to ensure that drought does not become famine and the impacts of climate change are sufficiently mitigated"

III. OUR OBJECTIVES

In pursuit of the vision, and in line with the mission, the Authority focuses on the following long-term objectives:

- To reduce drought vulnerability and enhance adaptation to climate change
- To provide drought and climate information to facilitate concerted action by relevant stakeholders
- To protect the livelihoods of vulnerable households during drought
- To ensure coordinated action by government and other stakeholders
- To develop and apply knowledge management approaches that generate evidence for decision-making and practice

- To strengthen institutional capacity, though among others attracting, developing and retaining competent staff
- To mobilize adequate financial resources and ensure sound management of the same
- To enhance corporate image

(c) Key Management

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

- The Chief Executive Officer
- The 3No Directors
- The 9 No Managers

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2014 and who had direct fiduciary responsibility were:

No.	Designation		Name
1.	Chief Executive Officer	-	Mr. James Oduor
2.	Director, Resource Mobilization	-	Ms. Ruth Gathii
3.	Director, Support Services	-	Mr. Hashim Ali
4.	Director, Technical Services	-	Mr. Sunya Orre

(e) Fiduciary Oversight Arrangements

The fiduciary oversight arrangements of the Authority are under various committees of the Board whose functions/purposes are as analysed below:

1. <u>Human Resources Management Committee</u>

The main purpose of this Committee is to ensure that the Authority has sound Human resources strategies which enable it to attract, develop, motivate and retain the right calibre of staff.

The Committee has the following duties and responsibilities as directed by the Board:

a) Periodic review and advise to the main board on appropriate Human resource strategies, policies and procedures;
b) Advise the board and guide the process on staff recruitment, manpower planning and related budgets;
c) Advise the board on any reviews required to enhance the effectiveness of manpower development and staff training;
d) Advise the board on reviews which may be necessary to make the organizational structure, appraisal system, grading system and salary structures more relevant and effective;

e) Review proposals and advise the board on staff benefits schemes including medical, retirement benefits and insurance schemes among others;

2. Finance Committee

The main purpose of this Committee is to ensure that the Authority has sound financial management strategies, policies and systems which promote accountability, prudent use of resources and compliance with statutory and all regulatory requirements.

The Committee has the following duties and responsibilities as directed by the Board:

a) Review the Authority's annual work plans and associated budgets prepared by management and submit them to the board for approval;
b) Ensure that allocation of resources is aligned to the priority areas identified with the strategic plan;
c) Review Quarterly financial reports submitted by management and submit the same to the board for discussion and adoption;
d) Provide general direction in budgeting matters of the Authority;
e) Advise the Chief Executive Officer and the board on financial management approaches which serve to enhance internal controls in order to improve efficiency, transparency and accountability;
f) Review major audit issues raised by both the internal and external auditors;
g) Periodic reviews of adequacy of adequacy of management procedures with regard to issues relating to risk management control and governance;
h) Review of special audits/ investigations on any allegations, concerns and complains regarding corruption, lack of accountability and transparency brought to the committee's attention by the Authority's management and present to the board for discussion and direction.

3. Audit & Risk Management Committee

This Committee is mandated to ensure that the Authority has sound financial management strategies, policies and systems which promote accountability, prudent use of resources and compliance with statutory and all regulatory requirements.

The Committee has the following duties and responsibilities, as well as such other duties and responsibilities as it deems appropriate to carry out its purposes or as directed by the Board:

a) Advise the Chief Executive Officer and the board on financial management approaches which serve to enhance internal controls in order to improve efficiency, transparency and accountability;
b) Review major audit issues raised by both the internal and external auditors;
c) Periodic reviews of adequacy of management procedures with regard to issues relating to risk management, control and governance;
d) Review of special audits/investigations on any allegations, concerns and complains regarding corruption, lack of accountability and transparency brought to the committee's attention by the Authority's management and present to the Board for discussion and direction.

(f) Authority Headquarters

National Drought Management Authority
P.O. Box 53547-00200
Lonrho House, 7th, 8th and 17th floor
Standard/ Kimathi Street

Nairobi, KENYA

(g) Authority Contacts

Telephone: (020) 2227496
Fax: (020) 2227982
E-mail: info@ndma.go.ke

(h) Authority Bankers

1. Kenya Commercial Bank
   Moi Avenue and KICC Branches
   P.O. Box 30081-00100, GPO
   Nairobi, Kenya

2. NIC Bank
   Harambee Avenue
   P.O.BOX 44599-00100, GPO
   Nairobi, Kenya

3. Citi Bank
   Upper hill Road
   P.O.BOX 30711-00100, GPO
   Nairobi, Kenya

(i) Independent Auditors

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

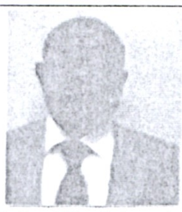
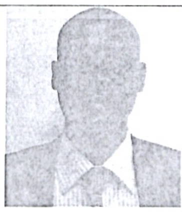
(j) Principal Legal Adviser

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

IV. THE MANAGEMENT BOARD

 Hon. Agnes Ndetei	Chairperson of the Board, BA in Geography & Sociology from University of Nairobi, Member of Parliament, Kibwezi constituency, Minister for education, Public accounts committee, Deputy speaker of the National Assembly.
 Mr. James Oduor	Chief Executive Officer and Secretary to the Board
 Ms. Moza Jadeed	LLM in International legal studies from George Town University Washington DC, LLB (JD equivalent) from Moi University, Diploma in legal studies from KSL, Advocate of the High Court of Kenya
 Mr. Peter L. Esimsidele	BA Criminology & Security studies from Egerton University, Higher Dip. Security &disaster Management, Ecological technician, Paramilitary training
 Ms. Rosemary N. Parang'iro	Master's degree in International Journalism from Cardiff University, U.K.
 Mr. Omar Kassim Abikr	MBA Strategic Management from Moi University, Higher National Diploma from Kenya Polytechnic
 Amb. Felistus Khayumbi	Board member, representing PS. Devolution
Mr. Kasembeli W. Nasiuma	Board member, representing PS. National Treasury

V. MANAGEMENT TEAM

 Mr. James Oduor	Chief Executive Officer
 Ms.Ruth Gathii	Director Resource Mobilisation and Advocacy
 Mr. Hashim Ali	Director Support Services
 Mr. Sunya Orre	Director Technical Services
 Mr.Yussuf Bagaja	Finance and Accounts Manager
 Mr.Hussein Bilala	Manager, supply chain
	Manager, Policy and planning

 Mr. Paul Obude	
 Mr. Martin Kiveu	Manager Internal Audit
 Mr. George Kimunguyi	ICT Manager
 Mr. Lucas Lembara	Contingency Planning and Resilience Manager
 Mr. Paul Kimeu	Drought Resilience Manager
 Mr.Valerian Micheni	Drought Information Manager

VI. CHAIRPERSON'S STATEMENT

The National Drought Management Authority [NDMA] which was established under the State Corporations Act (Cap 446) by Legal Notice No. 171 of 24 November 2011. The Legal Notice mandates the NDMA to establish mechanisms which ensure that droughts do not result in emergencies and that the impacts of climate change are sufficiently mitigated.

The creation of the NDMA is thus an illustration of the Government's commitment to end drought emergencies and of Kenya's global leadership in the specialist area of drought management. Kenya has been designated by IGAD as the Champion for drought risk management and ending drought emergencies in the region. In this respect, the NDMA in collaboration with other stakeholders, including national government, county government and development partners has developed common programming frameworks that would guide implementation of strategies aimed at having long term solutions to drought.

Inadequate resources has continued to be a major constraint in implementing our strategic plan. Although the NDMA is fortunate to receive some support from development partners, these are still grossly insufficient to meet the organisation's requirements. Adequate funding of the NDMA activities that focus on building resilience and ensuring early response would be a far more cost-effective strategy than relying on late and expensive emergency response.

The quality of governance within the NDMA is one of the Board's top priorities. In this respect, a Corruption Prevention Committee has been set up to ensure zero tolerance to corruption. In addition, the Board members attended a Corporate Governance Course during 2013/14 that were aimed at improving knowledge of the officers in prevention of corruption.

I wish to thank my fellow Board members for their support and guidance throughout the year. On behalf of the Board, I also convey my appreciation to the management and staff of the NDMA for their hard work and dedication, and to the Government of Kenya and our partners for their continued support.

Chairperson Agnes Walter

Date 23-03-2015

VII. REPORT OF THE CHIEF EXECUTIVE OFFICER

It is with great pleasure that I present the financial statements for the National Drought Management Authority for the period 2013-14. This is the first annual report of the National Drought Management Authority [NDMA] prepared under the International Public Sector Accounting Standard (IPSAS), the previous report was done under International Financial Reporting Standard (IFRS).

The NDMA has made some significant achievements in the second year of its existence. The Authority is fully operational in Nairobi and in 23 of the most drought-prone counties. With the support from the Government and Development Partners, the NDMA made a number of achievements that include:

- Strengthening and institutionalisation of drought management structures/system at national, county and community levels. These include: this is crucial for the operation of NDMA and the KFSM/KFSSG forums; monthly CSG/ CPU meeting in all the 23 counties;
- Strengthening of Drought management and food security information through support in;
    - Updating of baseline (livelihood zones) information.
    - 23 Bi-annual national and county food security assessments
    - 23 ad hoc rapid food security assessments
- Production of 23 standardised county drought contingency plans; the support included ensuring production of high quality and standardized contingency plans through the adoption of a computerized contingency planning tool that covers all procedures, processes and methods for contingency planning including the institutional, management, financial and technical aspects.
- Development and the implementation of the Ending Drought Emergency strategy.
- Fine-tuning of the drought management tools and production and dissemination of county monthly early warning bulletins;
- Implementation of the Food / Cash for Assets which aimed at building resilience of communities to drought. It targets 691,800 vulnerable residents of 13 ASAL counties. Out of the targeted population 431,000 are benefitting from Cash Transfer of Ksh 2,300 and Ksh 3,000 per month while 260,800 are benefitting from Food Transfer especially in Counties where price of foodstuff is very high and the availability is not reliable.
- Implementation of 1,000 micro-projects and these include-Water harvesting for crop, livestock production, water harvesting for domestic use, irrigation projects, promotion of dry land farming systems, pans, tree planting, pasture production, and opening up of rural access roads.
- Implemantation of the Hunger Safety Net Programme in which the government commits to progressively increasing it's financial contribution to the programme to total Kshs. 4.68 billion between financial years 2013/14 and 2016/17. Development partners (DFID and AusAID) have committed GBP 85.59 million (approximately Kshs. 11.5 billion). This programme is expected to benefit 100,000 households.
- Implementation of a number of other projects funded by the UNDP, DFID, and FAO.

The NDMA has commenced implementation of the 2-year Drought Contingency Fund Project (DCFP), with funding of 10 million Euros from the EU. This Fund, managed by the National Drought Management Authority (NDMA) will ensure rapid and early response before drought becomes emergency/disaster. The Fund is necessitated by realization that a system for drought contingency planning is in place, which extends from the community to the national levels. Lack of such a Fund has over the years hampered early response as there is a long time lapse arising from the need to reallocate resources by various Government departments from development budgets to drought emergency response.

The NDMA, in collaboration with other stakeholders developed a 5-year Vision 2030 Ending Drought Emergencies (EDE) Medium Term Plan (MTP) 2013-17 that is aimed at providing long term solution to drought. It prioritizes the six key pillars where investments must be channelled if the drought emergencies are to end. These include: peace and security; infrastructure development; human capital development; sustainable livelihoods; drought risk management; and institutional development and knowledge management. It also facilitated development of common programming frameworks that will ensure coordinated implementation of the EDE Strategy.

These achievements were inevitably coupled with challenges. The NDMA faced a number of challenges in delivering on its mandate. These include: inadequate funding and staff; lack of human resource schemes such as pension and career progression; and staff turn-over.

Internally, the Authority is placing a high priority on the quality of its performance, in order to ensure that its human and financial resources are used efficiently and accountable to deliver on its mandate.

We continue reviewing various parts of the drought management system, including the early warning system and the way we communicate with our stakeholders, to ensure that these are as relevant and effective as possible in the ever-changing context in which we work. In all that we do, we aim to be an institution of excellence.

I would like to express my gratitude to all our stakeholders and partners, whose support for the NDMA and contributions to our shared goal of ending drought emergencies have been invaluable. I also thank the Ministry of Devolution and planning, the NDMA's Board of Directors, and the management and staff of the Authority for their continued support.

Chief Executive Officer............................

Date..23-03-2015..

VIII. CORPORATE GOVERNANCE STATEMENT

Corporate governance is the process and structure used to direct and manage the affairs of the Authority in order to enhance prosperity, corporate performance and accounting. The Board of Directors is the supreme forum for formulating and interpreting policy and charting out the road map for goal attainment including plans of action.

The Board of Directors is responsible for the governance of the Authority and accountable to the Ministry of Planning and Devolution to ensure compliance with the law and best practices in ensuring increase in the stakeholders' values and satisfying them as confirmed in the presented financial statements.

The Directors attach great importance to the need to conduct the business and operations of the Authority with integrity, professionalism and in accordance with the generally accepted international corporate practice.

The Boards responsibilities are clearly stated in the Authority's Board charter.

The Board meets on quarterly basis to review the management performance on establishing mechanisms to ensure that drought does not become famine and the impacts of climate are sufficiently mitigated. The Directors are given appropriate and timely information to enable them maintain full and effective control over strategic, financial operational and compliance issues. The Board currently consists of 8no. Directors. The composition of the Board and brief biographies of the Directors, which highlight the range of experience they bring to the Authority are set out on pages 5. It includes the necessary mix of relevant skills and experience from both private sector and government institutions.

The Board had three standing committees, which meet regularly under the terms set out by the Board. These committees were:

***Audit & Risk Management Committee.**
These committee ensures the Authority has sound financial management strategies, policies and systems which promote accountability, prudent use of resources and compliance with statutory and all regulatory requirements.

***Human Resource Committee.**
These committee reviews and provides recommendations on issues relating to all human resource matters including career progression, performance management, training needs, job transfers, staff recruitment, staff placement, discipline and staff welfare.

***Finance Committee.**
These committee ensures sound financial management strategies, policies and systems which promote accountability, prudent use of resources and compliance with statutory and all regulatory requirements.

IX. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Authority took its corporate responsibility initiative through a two-pronged approach. The first approach was at the legal level. The Authority undertook all the necessary measures geared towards ensuring that NDMA mitigated any negative effects on the environment and impact on social welfare.

To this end, the NDMA made all efforts to assess the impacts, where by law requires, on the environment and society before undertaking interventions. The Authority strictly adhered to all legal requirements and regulatory frameworks while at the same time established progressive guidelines in drought management and mitigation. Key among these progressive frameworks established are the DCF business process, Communications Strategy, M&E guidelines, NDMA Board Charter and Board Audits, Public Service Charter, Complaints handling procedures among others.

These new guidelines and frameworks have gone a long way in ensuring that NDMA is a responsible entity that operates and respects all laid down procedures within which it is to realise its mandate as the organisation charged with the task of ensuring that drought does not become famine and effects of climate change are mitigated.

To this end, NDMA ensured that it operated within the United Nations ISO 26000. The NDMA adhered to the seven Key Principles advocated by this ISO 26000 as the roots of socially responsible behaviour. These are:

- Accountability
- Transparency
- Ethical behaviour
- Respect for stakeholder interests (stakeholders are individuals or groups who are affected by, or have the ability to impact, the organization's actions)
- Respect for the rule of law
- Respect for international norms of behaviour
- Respect for human rights

The Seven Core Subjects of ISO 26000 which NDMA considered are:

- Organizational governance
- Human rights
- Labour practices
- Environment
- Fair operating practices
- Consumer issues
- Community involvement and development

The send prong used by the NDMA was geared towards making the Authority a "corporate citizenship". To this end, the Authority was to incur short-term costs that did not provide fall within its mandate hence did not come with any immediate financial/social benefit to NDMA, but instead promoted positive social and environmental change among community members that interact with the Authority.

Several activities were planned under this tong namely:

- Samburu Camel Derby
- Drought theme at the schools' music festivals
- First Lady's Beyond Zero Campaign

During the year, the Authority managed to participate in activities of the Beyond Zero campaign. Beyond-Zero Campaign is an initiative of the First Lady H.E Margaret Kenyatta. The initiative aims to sustain efforts in HIV, maternal and the child health through accelerated programs, influencing investments, mobilisation of men as clients, partners and agents of change, mobilisation of communities to address barriers to accessing health services and most importantly to provide leadership and coordination to accelerate attainment of major health milestones.

Friends of Beyond-Zero Campaign forum organized a medical camp in Kariobangi South Estate in Nairobi on Saturday July 12, 2014 targeting a population of 10,000 people in need of medical attention. The event was held at Kariobangi South Primary School starting 7am up to 6.30pm. NDMA provided a team of 15 officers during this exercise. The Authority provided for lunches for the officers and addition to two vehicles. Two NDMA staff were assigned to the Friends of Beyond-Zero Campaign during the planning process.

Due to financial constraints, the Authority was not able to undertake the other CSR activities.

X. REPORT OF BOARD OF MANAGEMENT

The Board submit their report together with the audited financial statements for the year ended June 30, 2013 which show the state of the *Authority's* affairs.

The State Corporations Act Cap.446 of the Laws of Kenya requires us to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Authority as at the end of the 2013/2014 financial year and of its operating results for that year.

The Board are required to ensure that the Authority keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority. They are also responsible for safeguarding the assets of the Authority and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards.

The Board are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Authority and of its operating results as at 30 June, 2014. The Board further accepts responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial controls.

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

Chairperson	*Chief Executive Officer*
Agnes Ndetei	....
Date 23-03-2015	**Date**. 23-03-2015

Principal activities

The principal activities of the Authority are (continue to be):

- To reduce drought vulnerability and enhance adaptation to climate change
- To provide drought and climate information to facilitate concerted action by relevant stakeholders
- To protect the livelihoods of vulnerable households during drought
- To ensure coordinated action by government and other stakeholders
- To develop and apply knowledge management approaches that generate evidence for decision-making and practice
- To strengthen institutional capacity, though among others attracting, developing and retaining competent staff
- To mobilize adequate financial resources and ensure sound management of the same

Results

The results of the Authority for the year ended June 30, 2014 are set out on pages 17 to 21.

Board of management

The members of the Management Board who served during the year are shown on page VI. In accordance with gazette notice no.15740 of 27th December and the State Corporations Act (Cap.255), Mr Ibrahim Hussein retired from the Chairmanship and Hon. Agnes Mutindi Ndetei appointed the new Chairperson.

Auditors

The Auditor General is responsible for the statutory audit of the Authority in accordance with the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

Office of the Auditor General carried out the audit of National Drought Management Authority for the year/period ended June 30, 2014.

By Order of the Board

James Odour
Chief Executive Officer
National Drought Management Authority
Nairobi
Date:……….

XI. STATEMENT OF MANAGEMENT BOARD RESPONSIBILITIES

The Public Finance Management Act, 2012 and section 446 (Cap.255) of the State Corporations Act, require the Board to prepare financial statements in respect of the National Drought Management Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year/period and the operating results of the Authority for that year/period. The Board are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Board are also responsible for safeguarding the assets of the Authority.

The Board are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year (2013/2014) ended on June 30, 2014. 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 Authority; (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 Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Board accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Board are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2014, and of the Authority's financial position as at that date. The Board further confirm the completeness of the accounting records maintained for the Authority which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The *Authority's* financial statements were approved by the Board on 30-12-2014. 2015 and signed on its behalf by:

Agnes Ndetei

Chairperson

Chief Executive Officer

REPUBLIC OF KENYA

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

P.O. Box 30084-00100
NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON NATIONAL DROUGHT MANAGEMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of National Drought Management Authority for the year ended 30 June 2014 as set out at pages 17 to 35, which comprise the statement of financial position as at 30 June 2014, and the statement of financial performance, statement of changes in net assets, statement of cash flows, and statement of comparison of budget and actual amounts for the year then ended together with 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 14 of the Public Audit Act, 2003. I have obtained all the information and explanation which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management Responsibility for the financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 (2) of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

Property, Plant and Equipment

As indicated in the report for 2012/2013, the property, plant and equipment balance of Kshs.624,768,358 as at 30 June 2014 represents assets inherited from the former Arid Lands Resource Management Project under the Ministry of State for Special Programmes which are yet to be valued for the purpose of determining their actual book values. No depreciation has been provided for buildings and motor vehicles/cycles with balances of Kshs.11,176,266 and Kshs.438,532,353.55. These assets are registered under the Government of Kenya (Ministry of Special Programmes) and not the Authority. In the circumstances, it has not been possible to confirm that the carrying values as stated in the financial statements reflect the fair values of the property, plant and equipment balance of Kshs.624,768,358 as at 30 June 2014.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of National Drought Management Authority as at 30 June, 2014 and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with the National Drought Management Authority Order, 2011.

Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

13 March 2015

XII. STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2014

	Note	2013-2014 Kshs	2012-2013 Kshs
Revenue from non-exchange transactions			
Public contributions and donations	3	1,544,093,038.00	681,537,525.00
Transfers from governments – gifts and services-in-kind	4	726,745,552.00	430,498,982.00
		2,270,838,590.00	**1,112,036,507.00**
Revenue from exchange transactions			
Rental revenue from facilities and equipment	5	2,664,190.00	1,172,920.00
Other income	6	3,621,981.00	136,693.00
		6,286,171.00	**1,309,613.00**
Total revenue		**2,277,124,761.00**	**1,113,346,119.00**
Expenses			
Employee costs	7	374,140,246.00	265,793,247.00
Remuneration of Board members	8	10,733,995.00	4,543,099.00
Depreciation expense	9	3,211,437.00	-
Repairs and maintenance	10	48,398,099.00	35,722,915.00
General expenses	11	76,376,409.00	48,134,064.00
Donor-activities' related costs	12	1,791,421,179.00	648,703,742.00
Bank charges	11	-	493,677.00
Total expenses		**2,304,861,365.00**	**1,003,390,744.00**
Surplus before tax		**(27,156,604.00)**	**109,955,375.00**
Surplus for the period – Adjusted 2012/13		**(27,156,604.00)**	**109,955,375.00**

The notes to the accounts set out on pages 22 to 37 form an integral part of the Financial Statements

XIII. STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

	Note	2013-2014 Kshs	2012-2013 Kshs
Assets			
Current assets			
Cash and cash equivalents	14	62,622,834.00	116,969,142.00
Trade Receivables and prepayments	15	21,553,147.00	8,852,789.00
Inventories	16	1,567,167.00	1,238,783.00
		85,743,148.00	**127,060,714.00**
Non-current assets			
Property, plant and equipment	17	**624,768,358.00**	**614,269,738.00**
Total assets		**710,511,506.00**	**741,330,452.00**
Liabilities			
Current liabilities			
Trade and other payables	18	9,719,898.00	16,846,345.00
Bank overdraft	18b	3,081,715.00	
		12,801,613.00	**(16,846,345.00)**
Net assets		**697,709,893.00**	**724,484,107.00**
Reserves – Adjusted 2012/2013 FY		723,904,107.00	614,528,732.00
Accumulated surplus – Adjusted 2012/2013 FY		(26,194,214.00)	109,955,375.00
Total net assets and liabilities		**697,709,893.00**	**724,484,107.00**

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:

Chief Executive Officer

Date 23-03-2015

Agnes Walter

Chairperson of the Board

Date 23-03-2015

XIV. STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2014

	Accumulated Fund Kshs	Accumulated surplus Kshs	Total Kshs
Balance as at 30 JUNE 2012	-	-	-
Surplus/(deficit) for the period	614,528,732.00	109,955,375.00	724,484,107.00
Transfers to/from accumulated surplus	-	-	-
Balance as at 30 JUNE 2013	**614,528,732.00**	**109,955,375.00**	**724,484,107.00**
Prior year adjustment- audit fee 2012/13 FY	-	(580,000.00)	(580,000.00)
Adjusted reserves for 2012/2013	614,528,732.00	109,375,375.00	723,904,107.00
Surplus/additions for the period	962,390.00	(27,156,604.00)	(26,194,214.00)
Transfers to/from accumulated surplus	-	-	-
Balance as at 30 JUNE 2014	615,491,122.00	82,218,771.00	697,709,893.00

NB: During the period, the Donor partner KRDP-DMI procured a PABX system for NDMA hence the increase in the Capital fund.

XV. STATEMENT OF CASH FLOWS

	Note	2013-2014 Kshs	2012-2013 Kshs
Cash flows from operating activities			
Surplus for the year		(27,156,604.00)	109,955,375.00
Add			
Depreciation	9	3,211,437.00	788,574.00
Net cash flows from operating activities		**(23,945,167.00)**	**110,743,950.00**
Changes in working capital			
Increase / decrease in inventories	*16*	(328,384.00)	(1,238,783.00)
Increase / decrease in trade receivables	*15*	(12,700,358.00)	(8,852,789.00)
Increase/ decrease in trade payables	18	(7,706,447.00)	16,846,345.00
Increase/ decrease in other payables	18b	3,081,715.00	-
Net changes in working capital		**(17,653,473.00)**	**6,754,773.00**
Net cash generated from Operating expenses		**(41,598,640.00)**	**117,498,722.00**
Cash flows from investing activities			
Purchase of buildings		-	(11,176,266.00)
Purchase of computer and accessories	17	(4,706,458.00)	(51,784,169.00)
Purchase of furniture, equipment and fixtures	17	(8,055,130.00)	(113,565,523.00)
Purchase of motor vehicles		-	(438,532,354.00)
Proceeds from disposal	17	13,920.00	-
Net cash flows used in investing activities		**(12,747,668.00)**	**(615,058,312.00)**
Cash flows from financing activities			
Net cash flows used in financing activities		-	**614,528,732.00**
Net increase/(decrease) in cash and cash equivalents		**(54,346,308.00)**	**116,969,142.00**
Cash and cash equivalents at 1 JULY	14	116,969,142.00	-
Cash and cash equivalents at 30 JUNE	14	62,622,834.00	116,969,142.00

XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on comparable	Performance difference
Revenue	2013-2014	2013-2014	2013-2014	2013-2014	2013-2014
Public contributions and donations	3,559,476,242	(1,219,772,242)	2,339,704,000	1,544,093,038	795,610,962
Government grants and subsidies (recurrent)	303,663,748	125,085,200	428,748,948	447,179,552	(18,430,604)
Government grants and subsidies (development)	373,155,077	(93,589,077)	279,566,000	279,566,000	0.00
Tender sale income	50,000	0.00	50,000	937,000	(887,000)
Interest income	20,000	0.00	20,000	2,684,981	(2,664,981)
Rental revenue	1,200,000	0.00	1,200,000	2,664,190	1,464,190
Total Income	**4,237,565,067**	**(1,188,276,119)**	**3,049,288,948**	**2,277,124,761**	**772,164,187**
Expenses					
Compensation of employees (NDMA)	232,989,656	89,308,000	317,497,656	308,858,455	8,639,201
Utility expenses	4,283,052	0.00	4,283,052	5,443,136	(1,160,084)
Communication costs	8,140,350	0.00	8,140,350	9,933,310	(1,792,960)
Travelling & Accommodation (domestic)	4,508,000	7,644,010	12,152,010	30,433,987	(18,281,977)
Travelling & accommodation (foreign)	872,036	0.00	872,036	841,345	30,691
Publishing, printing, advertising & subscriptions	529,944	0.00	529,944	2,362,873	(1,832,929)
Rent paid	6,558,512	7,600,000	14,158,512	21,026,342	(6,867,830)
Training expenses	1,800,000	0.00	1,800,000	573,783	1,226,218
Board	2,426,879	760,000	7,986,879	10,733,996	(2,747,116)
Medical insurance (NDMA)	13,150,000	0.00	13,150,000	34,006,460	(20,856,460)
Goods, supplies, hospitality & services	6,362,801	3,498,000	9,860,801	15,018,598	(5,157,798)
Fuel & lubricants	6,650,000	2,592,000	9,242,000	17,094,604	(7,852,604)
Membership fees, Finance costs & contacted costs	1,935,602	0.00	1,935,602	4,343,762	(2,408,160)
Audit fees	-	-	-	580,000	(580,000)
Motor vehicle maintenance	8,481,916	6,351,990	14,833,906	39,019,019	(24,185,113)
Maintenance of office equipment	4,975,000	7,331,200	12,306,200	12,590,517	(284,317)
Donor related activities	3,559,476,242	(1,219,772,242)	3,559,476,242	1,542,331,534	797,372,466
Grants and subsidies	373,155,077	(93,589,077)	279,566,000	249,089,645	30,476,355
Total expenditure	**4,236,295,067**	**(1,188,276,119)**	**3,048,018,948**	**2,304,281,365**	**743,737,583**
Surplus for the period	**1,270,000**	-	**1,270,000**	**(27,156,604)**	**(28,426,604)**

XVII. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation

The Authority's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Authority. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Authority and can be measured reliably.

Tender sale income

Revenue from the sale of tenders is recognized when such has been received the significant risks of cancellation of the tender sale and rewards of ownership have been transferred to the buyer, usually after the close of the offer of the tender and when the amount of revenue can be measured reliably and it is probable that the economic benefits with the transaction will flow to the Authority.

Interest income

Interest income is of the Authority is recognised when earned and the same reflected on the bank statement. The interest income has been as a result of the Authority opening current bank accounts with NIC where the interest is earned on daily available balances to those accounts at a rate of 3%.

Rental income

Rental income is arising from the Authority's guest houses in Mandera and Moyale which had been leased by the County office during the financial year. The same is recognised when earned.

b) Budget information

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Authority. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or Authority differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Property, plant and equipment

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

d) Depreciation Policy

Depreciation is calculated on reducing balance (as per the proposed finance manual) basis at annual rates from the year of purchase. An amount of Ksh.610,706,325.85 relates to property, plant and equipment were inherited from the Arid Lands Resource Management Project (ALRMP) at their historical cost values. The Authority was not able to carry out the valuation as earlier expected in the financial year due to budget constraints, however the Authority is making efforts to ensure this is done. The depreciation for the inherited assets could therefore not be recognized in the first and second year of operation and hence the current figure reflects the historical costs. All the other assets acquired or have been depreciated at the rates applicable in NDMA are as shown below

	% per annum
Buildings	2.5%
Plant and Machinery	2.5%
Motor Vehicles & Motor Cycles	25.0%
Furniture, Fittings & Office Equipment	12.5%
Computer and accessories	30.0%

i) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Authority.

j) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

The Authority does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

k) Nature and purpose of reserves

The Authority does not create and maintain reserves in terms of specific requirements. Authority's amounts reflected as reserves is made up of the surpluses/deficits realised during the year.

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

Most of the Authority's employees were confirmed into permanent and pensionable terms with effect from 1st July 2013. Though the Authority did not have a budget provision for the same, this poses as challenge in the future once the pension scheme comes into operation. It is worth noting that the benefits for the past period since confirmation will have to be taken into consideration as this is an obligation by the employer while it's also employees' right.

The Authority is however in the process of providing retirement benefits for its employees in form of defined contributions. Defined contribution plans are post- employment benefit plans under which an Authority pays fixed contributions into a separate Authority (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

n) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise. During the financial year, the Authority did not deal with foreign exchange, neither does the Authority operate a foreign account.

o) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

p) Related parties

The Authority regards a related party as a person or an Authority with the ability to exert control individually or jointly, or to exercise significant influence over the Authority, or vice versa. Members of key management are regarded as related parties and comprise the Board of Directors, Chief executive officer, the departmental Directors and the sectional Managers.

Key management compensation:

	2014	2013
Directors	9,928,800.00	2,779,200.00
Managers	20,640,000.00	7,740,000.00
TOTAL	**30,568,800.00**	**11,479,200.00**

N.B: Please note that the amount of Ksh.30,568,800 disclosed above relate salaries paid to top management staff of the organization. These were paid through the monthly payrolls and forms part of the employee related costs figure of Ksh.308,131,854.90 on note number 7.

q) Service concession arrangements

The Authority analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Authority recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Authority also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Significant judgments and sources of estimation uncertainty

The preparation of the Authority's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period.

However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Authority based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Authority. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

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

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

Provisions

Provisions are recognised when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or services potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

u) 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 June 30, 2014.

3. Public contributions and donations

	2013-14	2012-13
	Kshs	Kshs
Receipts from UNDP (revenue)	103,657,015.00	372,281,421.00
Receipts from WFP	39,412,077.00	56,535,691.00
Receipts from FAO	6,875,967.00	-
Receipts from UNEP	200,753.00	-
Receipts from ARC	1,536,626.00	3,472,635.00
Receipts from HSNP-donor AIA	984,565,600.00	-
Receipt from UNDP-donor AIA	84,328,000.00	
Receipts from EU-KRDP (AIA)	323,217,000.00	249,247,778.00
Total transfers and sponsorships	**1,544,093,038.00**	**681,537,525.00**

4. Transfers from governments – gifts and services-in-kind

	2013-14	2012-13
	Kshs	Kshs
Unconditional grants		
Operational grant	447,179,552.00	430,498,982.00
	447,179,552.00	**430,498,982.00**
Conditional grants		
World food programme	12,508,000.00	-
Hunger safety net programme	249,600,000.00	-
Kenya rural Development programme	17,458,000.00	-
	279,566,000.00	**-**
Total government grants and subsidies	**726,745,552.00**	**430,498,982.00**

5. Rental revenue from facilities and equipment

	2013-14	2012-13
	Kshs	Kshs
Rental income	2,664,190.00	1,172,920.00
Total rentals	**2,664,190.00**	**1,172,920.00**

6. Other income

	2013-14	2012-13
	Kshs	Kshs
Tender sales	937,000.00	85,000.00
Interest earned from bank balances	2,684,981.00	51,693.00
Total other income	3,621,981.00	136,693.00

	2013-14	2012-13
	Kshs	Kshs
Employee related costs - salaries and wages(NDMA)	308,131,855.00	211,692,823.00
Employee related costs - contributions to NSSF	726,600.00	-
Employee related costs-salaries and wages (WFP/FFA)	-	26,387,863.00
Employee related costs-salaries and wages (WFP/ARC)	-	984,120.00
Medical insurance	34,006,459.00	1,523,113.00
Medical insurance (WFP/FFA)	-	2,973,285.00
Travel costs (domestic)	30,433,987.00	-
Travel costs (foreign)	841,345.00	-
House allowance	-	9,565,000.00
Commuter allowance	-	6,674,000.00
Other allowance	-	5,993,043.00
Employee costs	**374,140,246.00**	**265,793,247.00**

8. Remuneration of Board members

	2013-14	2012-13
	Kshs	Kshs
CEO's remuneration	4,800,000.00	-
Honoraria	960,000.00	960,000.00
Allowances	4,089,689.00	3,583,099.00
Travelling and accommodation	884,307.00	-
Total Board expenses	**10,733,995.00**	**4,543,099.00**

N.B: The CEO's remuneration is a constant amount of Ksh.400,000.00 per month and this was fully paid during the period under audit

9. Depreciation and amortization expense

	2013-14	2012-13
	Kshs	Kshs
Property, plant and equipment	3,211,437.00	-
Total depreciation and amortization	**3,211,437.00**	-

10. Repairs and maintenance

	2013-14	2012-13
	Kshs	Kshs
Property	5,538,924.00	-
Equipment	6,642,125.00	5,052,798.00
Computers	257,748.00	
Vehicles	35,807,582.00	29,351,963.00
Depreciation	-	788,574.00
Other	151,720.00	529,580.00
Total repairs and maintenance	**48,398,099.00**	**35,722,915.00**

11. General expenses

The following are included in general expenses:

	2013-14	2012-13
	Kshs	Kshs
Advertising & publicity	1,039,048.00	1,881,856.00
Audit fees	580,000.00	-
Conferences and delegations	3,890,312.00	2,506,617.00
Consumables	11,128,287.00	5,359,821.00
Less closing inventory (consumables)	-	(1,238,783.00)
Utility bills	5,443,136.00	2,130,308.00
Fuel and oil	17,094,604.00	-
Computer expenses	-	1,874,816.00
Postage	756,260.00	-
Printing and stationery	237,350.00	-
Subscription to newspapers	1,086,475.00	-
Security costs	3,770,197.00	583,385.00
Rental expenses	21,026,342.00	9,547,933.00
Skills development levies	199,500.00	-
Telecommunication (Ksh.4,366,151 &Ksh.4,810,899)	9,177,050.00	6,535,592.00
Finance costs	374,065.00	-
Training	573,783.00	-
Travel costs	-	18,952,519.00
Total general expenses	**76,376,409.00**	**48,134,064.00**

12. Donor-funded activities

The following are donor financed expenses	**2013-14**	**2012-13**
	Kshs	Kshs
Community development- KRDP (Gok)	15,680,532.00	-
Community devpment- HSNP (GokKsh.227,696,524+984,565,600 AIA)	1,212,262,124.00	-
UNDP activities-Rev.Ksh.95,410,124+84,328,000 AIA)	179,738,124.00	372,281,421.00
Expenses on WFP activities	54,810,809.00	27,174,543.00
Expenses on FAO activities	5,712,589.00	-
Expenses on KRDP-DMI activities	323,217,000.00	249,247,778.00
Total donor-financed costs	**1,791,421,179.00**	**648,703,742.00**

13. Taxation

The Authority draws all it's funding from the Government and therefore tax exempted.

14. Cash and cash equivalents

The following are the cash & bank balances	2013-14 Kshs	2012-13 Kshs
KCB-KICC	38,190,940.00	89,881,031.00
KCB- Moi Avenue KRDP	-	486,242.00
KCB- Moi Avenue WFP	-	16,172,077.00
NIC-1000584564	1,028,594.00	94,659.00
CITI Bank	-	9,190,268.00
Unutilised county balances	-	1,144,864.00
NIC- NDMA Development	181,026.00	-
NIC- UNDP (KDRP)	56,673.00	-
NIC- UNDP (ERP)	865,305.00	-
NIC- UNDP (DRR)	3,833,357.00	-
NIC- UNDP (AVSAR)	216,078.00	-
NIC- (WFP)	-	-
NIC- UNDP (HSNP)	18,250,646.00	-
Cash on transit	215.00	-
Total cash and cash equivalents	**62,622,834.00**	**116,969,142.00**

15. Trade Receivables & prepayments

Current receivables	2013-14 Kshs	2012-13 Kshs
Staff debtors	2,103,195.00	179,313.00
Debtors b/f from project	-	(105,000.00)
Medical insurance prepayments	11,802,689.00	-
Unutilised balances from Counties	5,694,619.00	-
Receivables from WFP to NDMA	500,000.00	-
Receivables from KDRP to NDMA	800.00	1,704,800.00
Receivable from KRDP to NDMA	1,376,314.00	7,073,676.00
Receivables from ERP to NDMA	3,640.00	-
Salary advance	71,890.00	-
Total receivables from non-exchange contracts	21,553,147.00	8,852,789.00

16. Inventories

	2013-14 Kshs	2012-13 Kshs
Consumable stores	1,567,167.00	1,238,783.00
Total inventories at the lower of cost and net realizable value	1,567,167.00	1,238,783.00

17. Property, plant and equipment

	Freehold Land	Freehold Building	Plant & Equipment	Motor vehicles cles	Furniture, fittings & Equipment	Computers & accessories	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Historical cost of assets from Project	-	11,176,266.00	-	438,532,354.00	110,611,115.00	50,386,591.00	610,706,326.00
Assets from KRDP for NDMA 2011/12	-	-	-	-	2,449,528.10	1,372,878.00	3,822,406.00
Additions during 2012/13	-	-	-	-	504,880.00	24,700.00	529,580.00
At 30 June 2013	-	11,176,266.00	-	438,532,354.00	113,565,523.00	51,784,169.00	615,058,312.00
Additions during 2013/14	-	-	-	-	9,017,520.00	4,706,458.00	13,723,978.00
Loss during the year	-	-	-	-	-	(69,600.00)	(69,600)
At 30 June 2014	-	11,176,266.00	-	438,532,354.00	122,583,043.00	56,421,027.00	628,712,690.00
Depreciation and impairment							
At 1 July 2012	-	-	-	-	-	-	-
Depreciation for the year 2012/13	-	-	-	-	(369,301.00)	(419,273.00)	(788,574.00)
Impairment	-	-	-	-	-	-	-
At 30 June 2013	-	-	-	-	(369,301.00)	(419,273.00)	(788,574.00)
Depreciation for the year 2013/14	-	-	-	-	(1,450,328.00)	(1,761,109.00)	(3,211,437.00)
Loss during the year	-	-	-	-	-	55,680.00	55,680.00
At 30 June 2014		-	-	-	(1,819,629.00)	(2,124,702.00)	(3,944,331.00)
Net book values							
At 30 June 2014	-	11,176,266.00	-	438,532,354.00	120,763,414.00	54,296,325.00	624,768,358.00
Net book values							
At 30 June 2013		11,176,266.00		438,532,353.00	113,196,222.00	51,364,896.00	614,269,737.00

18.Trade and other payables	**2013-14**	**2012-13**
	Ksh	**Ksh**
Accrued office partitions	6,276,000.00	-
Employee payables	245,799.00	155,928.00
Other payables-KRDP	1,184,518.00	15,000.00
Other payables-UNDP	-	486,242.00
Other payables-WFP	500,000.00	16,172,077.00
Audit fees & other payables	1,283,260.00	17,098.00
PAYE payable	230,321.00	-
Total trade and other payables	**9,719,898.00**	**16,846,345.00**

18b. Other trade payables	**Ksh**	**Ksh**
Bank over drat NIC-WFP	3,081,715.00	
Total other trade payables	**3,081,715.00**	-

19. FINANCIAL RISK MANAGEMENT

Exposure to currency, commodity, interest rate, liquidity and credit risk arises in the normal course of the authority's operations. This note presents information about the authority's exposure to each of the above risks, policies and processes for measuring and managing risk, and the authority's management of capital. Further quantitative disclosures are included throughout these financial statements.

Fair values
Set out below, is a comparison by class of the carrying amounts and fair value of the authority's financial instruments.

	Carrying amount	**Fair value**
Financial Assets	**Ksh**	**Ksh**
At 30 June 2014		
Receivables from non-exchange transactions	10,591,733.00	10,591,733.00
Cash and cash equivalents	62,622,834.00	62,622,834.00
Total	73,114,567.00	73,114,567.00

	Carrying amount	**Fair value**
	Ksh	**Ksh**
Financial Liabilities		
At 30 June 2014		
Trade payables from exchange transactions	9,719,898.00	9,719,898.00
Total	9,719,898.00	9,719,898.00

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.

Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Credit risk

Credit risk is the risk of financial loss to the authority if customers or counterparties to financial instruments fail to meet their contractual obligations. The authority's credit risk is primarily attributable to its receivables and cash and cash equivalents. The carrying amount of financial assets represents the maximum credit exposure. The credit risk on liquid funds with financial institutions is low, because the counter parties are banks with high credit-ratings. The maximum exposure to credit risk as at 30 Jun 2014 was:

	Fully performing	Past due	Impaired	Total
	Ksh	Ksh	Ksh	Ksh
Non exchange receivables	10,590,933.00	800.00	-	10,591,733.00
Cash and cash equivalents	62,622,834.00	-	-	62,622,834.00
Maximum exposure to credit risk	**73,213,767.00**	**800.00**	-	**73,214,567.00**

Credit quality

Credit quality is assessed risk of default attached to counterparties to which the authority extends credit and also those parties with whom the authority invests. As such, the credit quality assessed extends to the customers, investments and banks of the authority. For financial statement purposes, the investments and balances with banks are limited to the cash and cash equivalents line items in the statement of financial position.

Receivables

The authority does not extend credit to external parties. All services performed by the authority are rendered upon payment by the customers. The receivables from non-exchange transactions relate to staff advances, unutilized balances from the Counties and advances to internal donor activities. The advances were made in the financial year 2013/2014 and are therefore current.

Cash and cash equivalents

The authority limits its exposure to credit risk by investing cash and cash equivalents with only reputable financial institutions that have a sound credit rating. Consequently, the authority does not consider there to be any significant exposure to credit risk.

Liquidity risk

Liquidity risk is the risk of the authority not being able to meet its obligations as they fall due. The authority's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due, without incurring unacceptable losses or risking damage to the authority's reputation. Prudent liquidity risk management includes maintaining sufficient cash to meet the authority's obligations.

The table below analyses the authority's financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Sh	Sh	Sh	Sh
At 30 June 2014				
Trade payables from exchange transactions	6,856,000.00	580,000.00	353,581.00	7,789,581.00
	6,856,000.00	**580,000.00**	**353,581.00**	**7,789,581.00**

Market risk

Market risk is the risk of changes in market prices, such as foreign-exchange rates and interest rates, affecting the authority's income or the value of its financial instrument holdings. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on the risk. The authority is not exposed to significant market risks.

Capital risk management policies

The primary objective of managing the authority's capital is to ensure that there is sufficient cash available to funding requirements, including capital expenditure, to ensure that the authority remains financially sound. The authority monitors capital using a gearing ratio, which is net debt, divided by total capital, plus net debt.
As at the end of the year, the authority had no debt. The capital structure of the authority consists only of a general fund. The gearing ratio of the authority is therefore 0%.

XVIII. 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)*
	Qualified opinion on the basis of historically valued property, plant and equipment inherited from the Project	Request for funding has also been submitted to National Treasury through the parent Ministry. Request for valuation has also been submitted to the Ministry of lands, housing and urban development. *(Please find attached correspondences over the same)*	Board of Directors	Ongoing	One year.

Chief Executive Officer

Date 23-03-2015

Agnes Ndetei

Chairperson of the Board

Date 23-05-2015