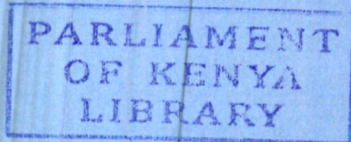


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KERIO VALLEY DEVELOPMENT
AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE 2017**

*Paper Laid on the
Table of the House
by the Leader of
the Majority Party
on Wednesday
29th August 2018*

(Afternoon)





ANNUAL FINANCIAL STATEMENTS;

**THESE FINANCIAL STATEMENTS HAVE BEEN
PREPARED IN ACCORDANCE WITH
INTERNATIONAL PUBLIC SECTOR ACCOUNTING
STANDARDS (IPSAS).**

FOR THE YEAR ENDED 30TH JUNE 2017

TABLE OF CONTENTS	Page
I. KEY ENTITY INFORMATION AND MANAGEMENT	3
II. THE BOARD OF DIRECTORS	20
III. MANAGEMENT TEAM	27
IV. CHAIRPERSON'S STATEMENT	29
V. REPORT OF THE CHIEF EXECUTIVE OFFICER	30
VI. CORPORATE GOVERNANCE STATEMENT.....	32
VII. MANAGEMENT DISCUSSION AND ANALYSIS.....	32
VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT.....	34
IX. REPORT OF THE DIRECTORS	35
X. STATEMENT OF DIRECTORS' RESPONSIBILITIES	36
XI. REPORT OF THE INDEPENDENT AUDITORS ON KERIO VALLEY DEVELOPMENT AUTHORITY	39
XII. STATEMENT OF FINANCIAL PERFORMANCE	40
XIII. STATEMENT OF FINANCE POSITION... ..	41
XIV. STATEMENT OF CHANGES IN NET ASSETS.....	42
XV. STATEMENT OF CASH FLOW	43
XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	44
XVII. NOTES TO THE FINANCIAL STATEMENT	46
XVIII. FIXED ASSEST SCHEDULE	66

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background Information

The Authority was created on the **31st August, 1979** through an **Act of Parliament Chapter 441 laws of Kenya** with the mandate to plan and co ordinate the implementation of development projects in the Kerio and Turkwel catchment areas.

b) Principal Activities

Vision Statement

To be a Leading Regional Partner in Integrated and Sustainable Economic Development.

Mission Statement

To deliver sustainable business solutions in river basin development through prudent management of resources for economic prosperity of the people.

Core Values

- **Integrity;** - As an Authority we will be sincere & uncompromising in serving the public.
- **Respectful;** - We will serve people with courtesy & fairness.
- **Accountability;** - We will conduct business in a transparent & accountable manner.
- **Teamwork;** - We will operate and work together for the common good of the people.
- **Creativity & Innovation;** - We will nature and adopt new technology in our operations.
- **Customer focus;** - We will endeavor to understand our customer needs and consistently strive to satisfy them.

a) Headquarters

KVDA PLAZA,
14TH FLOOR,
OLOO STREET,
P.O. BOX 2660- 30100
TEL: 053-2063361/3 Fax 2063364
ELDORET
EMAIL: info@kvda.go.ke

b) Bankers

KENYA COMMERCIAL BANK
KENCOM HOUSE
P.O. Box 48400-00100
NAIROBI.

c) Independent Auditors

THE AUDITOR GENERAL,
KENYA NATIONAL AUDIT OFFICE,
P.O. BOX 30084 – 00100
NAIROBI

d) Principle Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112-00200
NAIROBI.

Mandate of the Authority

The Authority is mandated to promote sustainable River basin conservation and management through integrated development with the key objective of propelling development to improve the region's per capita income. It undertakes programmes that promote environmental conservation, water development, food security, employment creation and community empowerment.

Strategic Objectives

The Authority has three main strategic objectives namely:-

- i. To Promote Sustainable Environment protection and Natural Resource Management
- ii. To Spur Economic Development
- iii. To Strengthen Regional Planning, Resource Mobilization and Capacity Building

The Authority has implemented programmes aimed at addressing food security through development of irrigation infrastructure, HEP generation, conservation of Cherangany watershed and water harvesting and storage facilities.

This report focuses on the status of activities undertaken by the Authority in the last 5 years ending 30th November 2017. Specific areas covered include:-

1. Summary of general performance against targets
2. Achievements from 2013 - to-date
3. Status of on-going projects
4. Pending critical decisions
5. Financial status of the Authority
6. Summary of Planned activities for the remainder of 2017/2018
7. Current staff establishment and size of payroll
8. Challenges and proposed measures to address them.

1.0 SUMMARY OF GENERAL PERFORMANCE AGAINST TARGET

Over the last 5 years, the Authority has managed to address the following key issues;

- i. Mobilize funding amounting to Kshs. 98 billion for development programmes
- ii. Mapped irrigation potential of 304,000 ha and developed irrigation infrastructure of 3,650 acres.
- iii. Progressed implementation of projects e.g Aror/Kimwarer multipurpose project, Cherangany watershed and completed 84No. Water pans.
- iv. Created revenue streams which in increased revenue from Kshs. 100 million to Kshs. 185 million annually and a potential of over Kshs. 300 annually by 2019/2020.
- v. Instituted Human resources measures which resulted in reduction of bloated and unproductive staff from over 600 to 460 and weeding out rampant cases of staff indiscipline from the authority.
- vi. Put in place a new HR structure aimed at attracting competent and productive personnel.
- vii. Organized 8No. peace building initiatives in the region
- viii. Completed construction of KVDA Plaza Southern wing with a total office space of 90,000 sq. ft.
- ix. Raised and planted 3 million tree seedlings for environmental conservation.
- x. Raised and planted 3.2 million mango seedlings in collaboration with farmers.
- xi. Established community livelihood programs e.g beehive and honey production and livestock and pasture improvement.
- xii. Instituted financial discipline which was lacking and addressed major financial challenges facing the authority.
- xiii. Launch Authority master plan and strategic plan paving way for a clear strategic direction now under implementation.

2.0 ACHIEVEMENTS – Reflecting Last 5 Years**2.1. Human Resource Issues**

- i. New organizational structure, new HR policies and procedures have been developed and ready for implementation upon staff rationalization which is ongoing.
- ii. HR management on productivity and good practices has been entrenched.
- iv. Staff and Board Medical Scheme were introduced and is operational. Staff have benefited greatly.

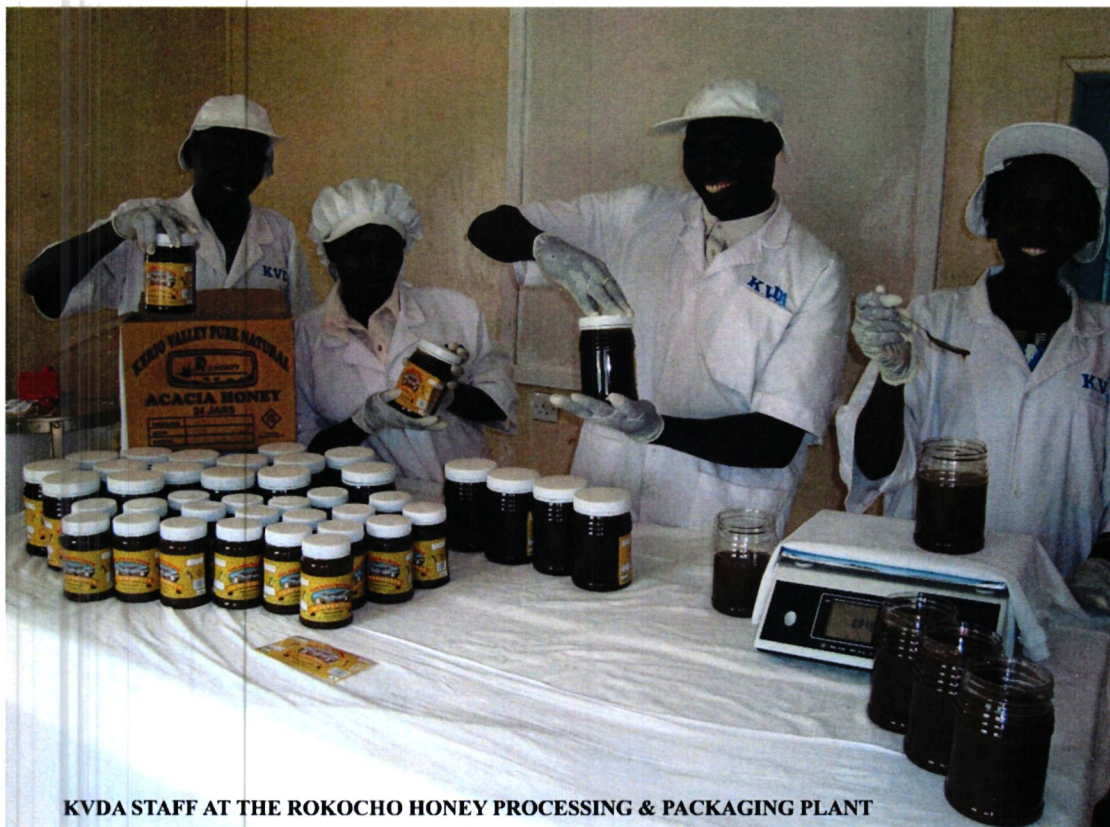
2.2 Revenue Growth.

i. Rental income

Increased from Kshs. 37 million in 2011/12 to Kshs. 83.4 million in 2016/2017. However, this is expected to increase to Kshs. 120 million annually with full occupancy of both Northern and Southern Wings of the Plaza.

ii. Beehive and Honey Production

Revenue rose from 7 million from honey sales in 2012/2013 to Kshs.15 million as at 2016/17.[honey from 14 tons in 2012/2013 to 40 tons in 2016/2017.]



2.3. Policy Documents

A 20 year Integrated Regional Development Master plan 2013-2033 and 5 year Strategic Plan 2014-2018 were launch in 2013 and 2015 respectively.

2.4. Conservation initiatives.

For catchment conservation production of seedlings was increased to 3 million in 2016/2017 from 400,000 in 2012/13.

2.5. Establishment of Green Houses

Pilot Green houses established in Eldoret and Lodwar.

2.6. Water Harvesting and Storage

The Authority constructed 84 water pans with over 1.58 million m³ storage capacity in 8 counties benefitting over 10,000 households and over 100,000 livestock.



2.7. Irrigation Projects

The Authority developed 3,650 acres as follows:- Napuu Centre Pivot Irrigation scheme of 150 acres out of which 40 acres have been planted with pilot crops, Loyapat completed -150 acres, Aror 300 acres, Tot – 150 acres, Tot/Kollowa – 295 acres, Lomut – 250 acres, Ptokou Sangat – 800 acres, Marich – 250 acres and Lower Sangat – 250 acres.

Some of these projects have been completed and handed over to the respective communities. These will increase food production



Napuu Centre Pivot Irrigation System

2.8. Seed Production

The Authority obtained seed production certificate and is now a seed merchant.

A seed processing unit (Weiwei Sheller) was commissioned and is now operational.



2.9. Pasture Seed Development

The region is ASAL and livestock is the main economic activity. In an effort to reduce conflicts arising from scarcity of pasture for livestock, the Authority implemented a pasture seed development program.



PASTURE FARM AT LEMALOK MARIGAT - BARINGO COUNTY
A KVDA PROJECT

2.10 Operationalization of Regional Offices

The Authority established and operationalized Regional Offices in 5 counties in line with Devolution.

2.11 Resource Mobilization

In the implementation of our strategic plan 2014/2018 the Authority planned to raise Kshs. 222 billion to implement its projects/programmes over the 5 year period. So far a total of Kshs. 98 billion has been sourced for the following projects:-

Donor/Commercial Loan.

- Wei Wei Phase 3 – Kshs. 1 billion
- Aror Multipurpose Project – Kshs. 35 billion
- Kimwarer Multipurpose Project – Kshs. 28 billion
- Embobut Multipurpose project – Kshs. 32 billion
- KVDA Southern Wing – Kshs. 400 million bank loan

GOK

- Napuu Centre Pivot – Kshs. 64 million
- Lomut Irrigation Scheme – Kshs. 77 million
- Waterpans – Kshs. 400 million
- Mango processing Plant – Kshs. 36 million
- Other projects funded from GOK funds shs 697 m [Rokocho Honey refinery, Loyapat scheme, 4 new lifts, Nomotio and chemiron Livestock centre (sahiwal bulls), Greenhouses and chesongoch livestock improvement centre (galla goats)].

The Authority also developed the following new proposals for mobilizing resources amounting to kshs 44 billion making in all kshs 142 billion.

- Development of KVDA Nairobi Complex – Kshs. 5 billion
- Development of Lower Turkwel Irrigation Project - Kshs. 30 billion
- Marble Value addition project – Kshs. 3 billion
- Dairy Value Chain in collaboration with 3 universities 6 billion.

2.12 Peace Initiatives in the region

The region has faced security challenges as a result of competition for natural resources such as grazing land and water. This affected implementation of KVDA projects in the past.

In the recent years 8 peace initiatives were organized by the Authority in promoting peace in the region, in collaboration with other stakeholders. The initiatives have reduced insecurity incidences.

3.0 STATUS OF ON-GOING PROJECTS AND PROGRAMMES

3.1 Cherangany Watershed Conservation Programme

Background

The Cherangany watershed is one of the five main “water towers” in Kenya, covering an area of approximately 2,000 km².

The watershed is of significant importance to the Kerio valley basin due to diverse resources existing within its various ecosystems. The Authority has been involved in conservation activities for the water basin in collaboration with other stakeholders. These efforts have contributed to sustained river flows and increased forest cover in the region. A notable intervention is the conservation of upper Turkwel and construction of Turkwel Dam which today holds 1.6 billion m³. Major output being generation of 106 MW of Hydro power and enabling Tukwel River to have water throughout the year unlike before when it was seasonal 7 months in a year.

Project Location

Elgeyo-Marakwet, West Pokot, Uasin-Gishu, Samburu, Baringo, Nakuru and Trans-Nzoia

Project Objectives

To conserve, rehabilitate and protect the water basin through integrated activities for sustainable natural resource development and socio-economic enhancement

Project Cost: Kshs. 2.3 billion

Project Achievements

- i. Over 2 million tree seedlings raised and planted to Conserve Cherangany watershed.
- ii. 30 km riverbanks protected with woodlots/vegetation cover
- iii. improved biodiversity and ecological resilience
- iv. Improved food security
- v. Livelihood programmes promoted including honey and beehive production, pasture development and livestock improvement
- vi. A documentary for Cherangany done.



Expected Output

- i. Contribute to the 10% forest cover and improved biodiversity and ecological resilience by conservation of over 500 km².
- ii. 100 km of riparian areas protected
- iii. Farm forestry established and over 7 million tree seedlings planted
- iv. Sustainable flows of rivers, streams flowing to Lake Turkana and Lake Victoria
- v. Climate change adapted and mitigation measures in place
- vi. Enhanced conservation based livelihood programmes such as honey production, pasture and livestock improvement.

3.2 Arror/Kimwarer/ Embobut Multipurpose Project

Background

For over 20 years, the Authority has been trying to implement 3 multipurpose projects namely; Arror, Kimwarer and Embobut without much success. Arror multipurpose project is one of the 18 flagship projects approved by the Cabinet for implementation under Vision 2030. Arror and Kimwarer Multipurpose Projects are being progressed while Embobut Multipurpose project will be developed at a later date.



Aerial View of Arror Project

Objectives

The main objectives of the projects are:

- i. To generate 125MW of HEP
- ii. To expand land under irrigation by an additional 6,500ha to support food security.
- iii. To provide water for 110,000 household and 180,000 livestock
- iv. To undertake conservation programmes by planting 3 million assorted trees annually to support conservation of Cherangany catchment within 341 km².
- v. Create employment of over 6000 people directly and over 20,000 indirectly.

Economic and Social benefits

- i. 125 MW of HEP generated and fed to the national grid
- ii. Enhanced food security by increasing land under crop irrigation by 6,500 ha.
- iii. 341 km² catchment area conserved
- iv. 6000 direct and 20,000 indirect New employment opportunities created.
- v. 150km of road network developed
- vi. Improved household incomes from agricultural activities and expanded commercial activities

Project Cost

The direct cost of implementing the three projects is Kshs. 95 billion (Arror – Kshs. 35 billion, Kimwarer Kshs. 28 billion and Embobut Kshs 32 billion). This is a loan facility FROM INTERNATIONAL LENDERS. The Authority is already implementing Arror/ Kimwarer [first phase] and implementation of Embobut is in the second phase.

Phase I (Arror / Kimmerer) is costing kshs 69.3 billion. [Donor SHS 63 billion and GoK 6.3 billion.] The counterpart funds will be used for compensation & resettlement of affected persons and project supervision.

Progress 2016/2017 FY

- ✓ Contract and financial agreements were signed in April 2017.
- ✓ 30 No. stakeholder consultative meetings have been held.
- ✓ Three (3) community committees established, trained and are operational.
- ✓ Environmental Social Impact Assessment (ESIA), Resettlement action plan [RAP] and due diligence undertaken.
- ✓ All Persons Affected by the project [PAPS] have been identified and Validation of land documents has been done.
- ✓ Authority is sourcing land for resettlement.
- ✓ The contractor is mobilizing to commence work and launch of the Projects is planned for January 2018.
- ✓ Counterpart funding of Kshs. 6.348 billion from the National Treasury is required to meet local costs of resettlement, compensation, project management and any other cost not covered by the donor facilities.

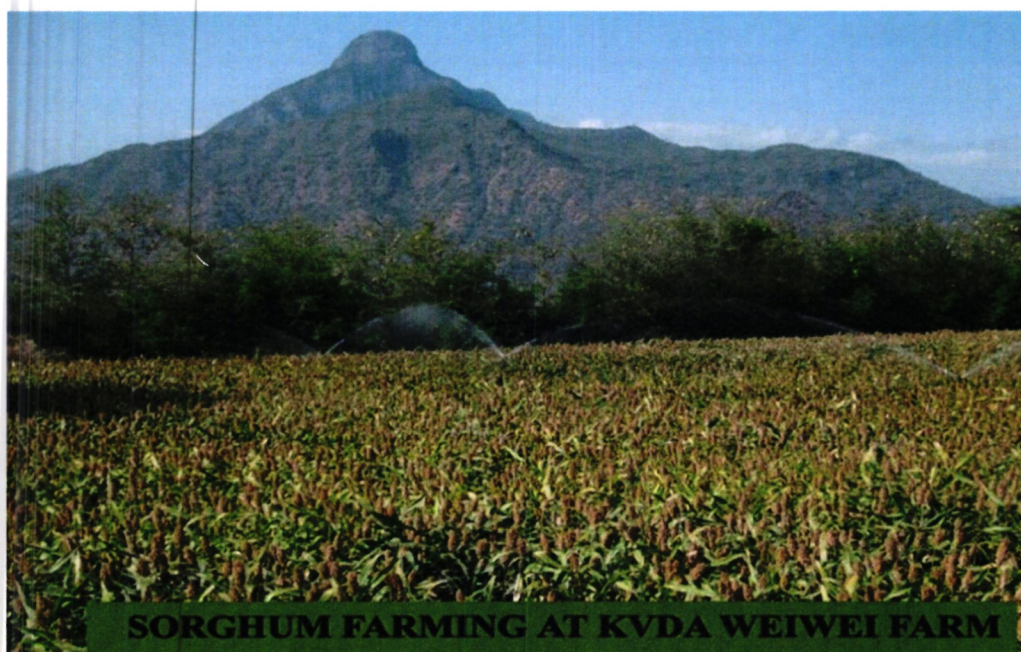
3.3. Irrigation Projects

The region has a potential land for irrigation of 304,000 ha out of which 3,650 acres has already been developed by the Authority to address food security.

The project benefits include increased crop production of 10,000 tons annually, increased household income of Kshs. 300 million, engagement of 2,000 youth and women and general economic development of the area.

The irrigation projects include Wei Wei Phase 3, Napuu Centre Pivot Irrigation scheme, Loyapat, Arror, Tot, Ptokou Sangat, Marich, Lomut and Lower Sangat.

Some of these projects have not been fully implemented due to budget cuts during their implementation, an issue which if resolved will make these food security projects realize their potential.





H.E. The President during the official launch of Wei Wei Phase 3 project

3.4 Mango Value chain programme

Background

Mango production has been promoted as a National cash crop under vision 2030 with KVDA being the Lead implementing agency. So far 2 million mango seedlings have been raised and planted in collaboration with other stakeholders in the region.

Currently, a total of 1.2 million mango seedlings are under different stages of production in 8 nurseries. Once mature, the total mango trees will be 3.2 million which will produce mango fruits worth Kshs. 32 billion annually.



The Authority has planned to raise additional 10 million mango seedlings in the next 5 years to achieve a target of 13.2 million mango trees.

Location

The project is located in Elgeyo-Marakwet, Turkana, West Pokot, Baringo, Nakuru, Samburu, Kericho and Narok Counties.

Objectives

- i. To promote mango production in the region with an objective of making Kenya a leading mango producer and Exporter in the world.
- ii. To establish a mango processing plant for value addition for local and export markets'

Achievements

- i. 2 million mango trees planted and another 1.2 million are in stock ready for planting.
- ii. Mango processing plant procured and is to be delivered by December 2017/January 2018 at a cost of KShs 123 million. This includes the cost for construction of the factory and related infrastructure.

Expected Output

- i. 13.2 million Mango trees to be planted by end of 2020/21 FY that will produce fruits worth KShs. 132 billion to farmers annually.
- ii. A pilot mango factory established to process mango fruits into puree, concentrate or juice.
- iii. Over KShs. 200 million revenue from sale of juice from the Pilot mango plant annually and over KShs. 183 billion from value addition by FY 2020/2021.
- iv. 50,000 No. farmers engaged in mango farming and over 100,000 through the value chain.

3.5 Completion of Kvda Plaza Southern Wing And Lift Replacement

Background

KVDA plaza in Eldoret, which is the Headquarters of the Authority was constructed in late 80s and although the building was planned to have two wings; Northern wing and southern wing, only Northern wing was completed while southern wing stalled for over 20 years.

In May 2015 the Authority obtained a bank loan of Kshs. 400 million which was utilized to complete the Southern wing in November 2016, a construction record time of slightly over One year. The new wing has 14 floors offering 90,000 sq. ft office space. The building was originally installed with 7 lifts which became obsolete in 2014. So far, the Authority has replaced four lifts out of the seven and the replacement of the remaining 3 lifts is critical to improve service delivery for both Northern Wing and newly constructed Southern Wing.



New look KVDA Plaza

Project Location:

KVDA Plaza is located in Uasin Gishu County

Project Objectives

- i. Completion of construction of southern wing which had stalled for over 20 years.
- ii. To install 3No. Additional lifts at KVDA Plaza to make in all 7No to serve the Plaza at a cost of Kshs 40 million.

Project Output

- i. 90,000 sq. ft office space developed and rented out to Government agencies and also generates revenue for the authority.
- ii. 7 lifts replaced and serving both wings.
- iii. Improved service delivery within KVDA Plaza
- iv. Increased rental income to Kshs. 120 million annually.
- v. New tenants attracted to the building

II THE BOARD OF DIRECTORS



E.S.Kona

Chairman since 27th December 2013. Holds Masters of Arts Lancaster Univ. UK, Bachelor of Education Kenyatta univ. Certificate in Evaluation Theory & Methods for Conflict Resolution Projects United States. Work Experience Snr Conflict Management Specialist DRG, Team Leader & Policy Outreach Specialist DAP, Snr Technical Advisor KTI, Snr Manager, Regional Advisor, Regional Conflict Resolution Specialist, Conflict Information & Capacity Building Specialist, County Coordinator, Liaison Officer ministry of State OP, Teacher, Resource Person, Training Expert, Project Design & Dev. Consultant, Evaluation Expert, Nominated for Right Livelihood Award.



David Kimosop

Managing Director. Born 1964, He is a PHD Finalist Moi Univ. Holds MBA Moi Univ, Bachelors Degree in Business Administration UoN and Dip in Risk Mgt in Banking. Member of IA, IOD, and former Board of Trustees KCB staff Pension. A versatile Chief Executive in corporate Governance, Risk management solutions, Corporate and Retail business Management, Credit, Treasury and Banking operations and internal audit through 22 solid years at KCB where he served as a Group Head. He also worked as a regional project Coordinator for World Vision Projects in Kenya for one year.



Mr. A. Mohamed Jabane

Alt. Director, the Presidency, Cabinet affairs, the chief of staff & head of public service. Holds master of Arts in International Relations, BA Political Science both UoN, and Advanced Public Relations – Kenya institute of Administration.



Mr. David Komen –Alt. Director, P.S. The National Treasury. Born 1965 holds MSc. University of Brandford United Kingdom, BA Economics UoN, S. A. Director National Treasury, Alt Director KEMRI, Economist Ministry of Planning.



Mr. Augustine Kenduiwo
Alt. Director, P.S. Min. of Regional Development. Holds Masters in Env. Plng, BSc. (Agriculture) from UON. Lead expert in Env. Audit & EIA with NEMA. Member of Env. Institute of Kenya.



Mr. Nehemiah K. Tuitoek.
Alt. Director. Born 1956 holds MSc. JKUAT, MSc. Eng. Byelorussian Agricultural Academy, USSR. Worked as Directorate Agricultural Services & Member of various professional Institutions.



Mr. James Yatich
Alt. Director. P.S, Min. of Environment & Natural Resources. Born 1963 holds MSc. Simon Fraser University Canada, BSc, Certificates in GIS/GPS and strategic leadership, Work experience Deputy Director, Land Reclamation and Water Storage, Head Mass media, D.A.O.



Mr. Tom Letiwa
Chairman Development Committee, Holds Bachelors Degree in Marketing



Mr. Nixon K. Yegon
Chairman Finance & Establishment Committee Holds BED Sc. (Moi Univ.)



Mr. Harun Koimur
Chairman Audit & Risk Committee. Holds MBA, CPA (K), SAP Consultant/Trainer



Ms. Gladys Korii
Board Member Holds Diploma in Supplies.



Mr Amos Ndalut
Board Member. Holds BSC in Hort. Moi University



Ms. Getrude Kemboi
Board Member. MBA, BCOM, CPA(K), CPS



Mrs. Dinah Chelanga
Board Member. Holds H. Diploma Psych. Counseling.



Kezia Ngina – Board Member. Holds Certificate in Gender, Poverty and Development (Egerton University)



Kimani Kiiru – Board Member Alternate to PS agriculture Masters in INT. UoN, BSC Arts (KU)



Lilian Abishai- Board Member, Alt. Director Attorney General. Senior Counsel



Sarah Muui – Board Member, Alt. Director, P.S. Min of Devolution and Planning

Fiduciary Oversight Arrangements

Functions and responsibility of the board

- i. To plan for the development of the Area of jurisdiction and initiate project activities identified for such planning through the Government,
- ii. To develop and keep up-to-date a long range development plan for the Area,
- iii. To initiate such studies and to carry out such surveys, of the Area as may be considered necessary by the Government or by the Authority and to assess alternative demands within the Area on the resources thereof, including agriculture (both Irrigated and rain-fed) forestry, wildlife and tourism industries, electric power generation, mining and fishing and to recommend economic priorities,
- iv. To co-ordinate the various studies of, and schemes within, the Area so that human, water, animal, land and other resources are utilized to the best advantage and to monitor the design and execution of planned projects within the Area,
- v. To effect a program of both monitoring and evaluating of projects within the Area so as to improve that performance and establish responsibility therefore and to improve future planning,
- vi. To co-ordinate the present abstraction and use and the planned abstraction and use of the natural resources especially water and set up an effective monitoring of abstraction and usage,
- vii. To cause the construction of any works necessary for the protection and utilization of the water and soils of the Area,
- viii. To ensure that the landowners in the Area undertake all the measures specified by the Authority to protect the water and soils of the Area,
- ix. To identify, assemble and correlate all the data related to the use of water and other resources within the Area as may be necessary for the efficient forward planning of the Area,
- x. To maintain a liaison between the Government, the private sector and other agencies in the matter of the development of the Area with a view to limiting the duplication of effort and ensuring the best use of technical resource.

Committees of the Board

The Board has three standing Committees.

e) Audit Committee

The board Audit Committee which meets quarterly. During the financial year under review, the Audit committee held four meetings.

The membership comprised of five members. Its responsibility includes review effectiveness of corporate governance, mitigation of risks and institutional internal controls.

The members of this committee are:

1. Mr. Haron Koimur - Chairman
2. Mrs. Kezia Ngina - Member
3. Mr. Amos Ndalutt - Member
4. Mr. Augustine Kenduiwo - (Alt Director to PS, Min of Devolution and Planning)
5. Mr. David Gichuhi - (Alt. Director to Inspectorate of State Corporations)
6. Mr. Thomas Kibos - MIA KVDA

f) Finance & Establishment Committee

There is Finance and Establishment Committee Comprising of six members. The Finance and Establishment Committee met four times during the financial year under review. The Committee is responsible in reviewing of the financial performance, compliance with accounting standards, approval of budgets and review of overall institutional performance including that of monitoring and appraising the performance of Management personnel. It is also in charge of reviewing all human resource policies. The members of this committee are:

1. Mr. Tom Letiwa - Chairman
2. Ms. Getrude Kemboi - Member
3. Mr. David Komen - (Alt Director to CS, The National Treasury)
4. Mr. Augustine Kenduiwo - (Alt Director to PS, Min of Devolution and Planning)
5. Mr. A. Mohamed Jabane - (Alt Director to Chief of Staff & Head of Public Service)
6. Mr. Lilian Abishai - (Alt. Director to Attorney General)
7. Mr. David Kimosop - Managing Director

g) Development & Environment Committee

This Committee comprises of five members who meets once in every quarter. The committee met four times in the financial year under review. The Committee is in charge of strategies that would facilitate the Board to give guidance and direction to management on project implementation. The mandate of the committee includes review of the Authority Strategic Plan, annual development budget, and monitoring of projects under implementation and strategies for operations and customer service improvement.

The members of this committee are:

1. Mr. Nixon K. Yegon - Chairman
2. Mrs. Dinah Chelanga - Member
3. Ms. Gladys Korii - Member
4. Mr. James Yatich - (Alt Director to PS, Min of Water & Irrigation)
5. Mr. Nehemiah Tuitoek - (Alt Director to PS, Min of Agr. Livestock & Fisheries)
6. Mr. David Kimosop - Managing Director

KERIO VALLEY DEVELOPMENT AUTHORITY | 2016/2017

APPOINTMENTS AND NOMINATIONS OF BOARD MEMBERS

NAME	DESIGNATION	GENDER	HOME COUNTY	APPOINTMENT DATE	EXPIRY DATE
1. Mr. Sam Kona	Chairman	Male	N/A	17/04/2015	16/04/2018
2. Ms. Dinah Chelanga	Member	Female	E/Marakwet	17/04/2015	16/04/2018
3. Ms. Getrude Kemboi	Member	Female	-	17/04/2015	16/04/2018
4. Mr. Nixon Yegon	Member	Male	E/Marakwet	2/10/2015	1/10/2018
5. Mr. Tom Letiwa	Member	Male	Samburu	2/10/2015	1/10/2018
6. Mr. Haron Koimur	Member	Male	Baringo	2/10/2015	1/10/2018
7. Mr. Amos Ndalutt	Member	Male	Uasin Gishu	2/10/2015	1/10/2018
8. Ms. Gladys Korii	Member	Female	West Pokot	2/10/2015	1/10/2018
9. Ms. Keziah N. Mbugua	Member	Female	Nakuru	2/10/2015	1/10/2018
10. Mr. David Komen	The National Treasury	N/A	N/A	14/10/2015	13/10/2018
11. Mr. Kimani Kiiru	Agriculture, Livestock and Fisheries	N/A	N/A	3/05/2017	-
12. Ms. Lillian Abishai	Attorney General's Office	N/A	N/A	19/04/2013	-
13. Mr. James Yatich	Water & Irrigation	N/A	N/A	15/01/2015	14/01/2019
14. Mr. Mohamed Jabane	Office of the President	N/A	N/A	17/10/2015	-
15. Mr. David Gichuhi	Inspectorate of State Corporations	N/A	N/A	17/03/2015	-
16. Ms. Sarah Muui	Devolution and Planning	N/A	N/A	23/01/2017	-
17. Mr. David Kimosop	Managing Director	Male	N/A	22/04/2015	21/04/2018

II. MANAGEMENT TEAM



David Kimosop
Managing Director. Born 1964, He is a PHD Finalist Moi Univ. Holds MBA Moi Univ, Bachelors Degree in Business Administration UoN and Dip in Risk Mgt in Banking. Member of IA, IOD, and former Board of Trustees KCB staff Pension. A versatile Chief Executive in corporate Governance, Risk management solutions, Corporate and Retail business Management, Credit, Treasury and Banking operations and internal audit through 22 solid years at KCB where he served as a Group Head. He also worked as a regional project Coordinator for World Vision Projects in Kenya for one year.



Francis Kipkech
Chief Manager Technical Services & Operations
 Born 1963 holds MSc (McGill University-Montreal), BSc - UoN, Dip. Crop Mgt Egerton Univ. Previously Deputy Director Ministry of Regional Development Authority, MD CDA, Ag MD and Deputy MD KVDA, Snr Research Officer KARI



Mr. David Onyango
Chief Manager Planning Research & Development
 Born 1966 Holds Masters Degree in Business Administration, BA UoN and various professional training. Worked as Business Development consultant, Lecturer, Credit Officer - Caribbean, Business Development Specialist UN, Administration Manager KATO, Research officer KATO and AMREF, Economist/Statistician in the Ministry of Tourism and Wildlife.



Mr. Samuel Koskei
Chief Manager Business Development & Investment promotion

Born 1963 Holds MBA. Moi university, C.P.A (K). Worked as Financial Controller & Chief Accountant - Sirikwa Hotel Ltd and Kenya Fluorspar, Accountant Twiga Chemical Industries Ltd, Accountant, in National Oil Corporation of Kenya. Accountant I Nandi County Council.



Esther J. Kiror
Legal Officer

Born 1975 Holds LLB Moi University, Worked as Asst Legal Officer - KVDA



Elizabeth Kebenei
Ag Chief Manager Human Resource & Administration

Born 1966. Holds MSc Human Resource Development Moi Univ., BA Kenyatta Univ., HDHRM. Previously worked as Snr HRO, HRO, and Ass. HRO KVDA, Teacher Kocholwo Sec School. Has attended various management workshops and seminar.

Officer UG District, Supplies
Officer II OP.



Mr Moses Kipchumba
Chief Manager Finance

Born 1975 Holds MBA, BCom - KU, CPA (K). Worked as Fund Mgr CDF, Asst Accountant Family Bank, Accountant Pine Tree Agencies Ltd.



Mr William K. Maina
Supplies and Procurement Manager.

Born 1968. Holds MBA, BCom, Poona University (India), Dip Ms Office, Dip Purchasing & Sup Mgt. Worked as Head of Supplies Dept. Ampath, Snr Supplies & Procurement Officer MTRH, District Supplies

III. CHAIRMAN'S STATEMENT

It gives me great pleasure to report on Kerio Valley Development Authority's Accounts for 2016/2017 financial year. The Authority is a State Corporation wholly funded by the Government of Kenya and its area of operation includes Counties of Elgeyo /Marakwet, West Pokot, Turkana, Baringo, Samburu and Nakuru.

During the year under review, the Authority focused on the following;

- Implementation of the strategic Plan 2014-2018 which seek to transform the region's economy through sustainable exploitation of natural resources in partnership with communities, National and county Governments, Donor and Development Partners. The Plan was guided by the GOK vision 2030.
- Strategic intervention on food security through expansion of irrigation projects.
- Enhance collaboration with the County government and various institutions eg Moi, Eldoret Universities and KALRO among others.
- Undertook resource mobilization abroad and locally through participation in investments, conferences and engaging The National Treasury
- Organized a peace initiative in the region aimed at promoting development.
- Engagement with the Ministry in preparation of RDA bill.
- Undertook corporate social responsibility in the region through contributions towards community programmes.

Conclusion

The board looks forward to continue engaging all stakeholders and undertaking resource mobilization for effective and sustainable in implementation of its programmes within the region.

KERIO VALLEY DEVELOPMENT AUTHORITY
P.O. BOX 23410
TELLEPHONE 63361

E.S. Kona

Chairman of the Board

Date 12/09/2017

IV. REPORT OF THE CHIEF EXECUTIVE OFFICER

It is my pleasure to present this draft financial statement for the year ended 30th June 2017. During the period under review we progressed with the set base for growth of the Authority's revenue. The focus was to build on the already laid down foundation for sustainability through expansion of revenue avenues, creation of operational efficiency and restructuring to make the Authority self reliant and eventually create a greater stakeholder's value. This is intended to move the Authority from current dependency on government support to a blue chip institution within a five years period.

Overall, the Authority reported a deficit of **Kshs 108,400,231**. This was largely due to depreciation expense of Turkwel Dam. During the financial year, internally generated income (AIA) increased by 5% from **Kshs. 178,961,224**, realized in 2015/2016 financial year to **Kshs 188,223,110**. However, the overall income realized from exchequer and AIA was not adequate to cover the recurrent costs. Going in to the 2017/2018 financial year, the following measures will be taken to further improve the overall Authority's performance both in the short and long term:-

Short Term Measures:

- i. Maximize rental income from KVDA Plaza to achieve 120 million annually now that southern wing has been completed.
- ii. Completion of the 800 acres Weiwei Phase III irrigation scheme in Sigor, West Pokot funded through the Italian Government.
- iii. Purchasing and refining of **100 tons** of semi-processed honey and selling honey products to raise **Kshs 50 million**.
- iv. Construction of Mango factory in Tot, Elgeyo Marakwet to enhance value addition of Mango fruit.

Long Term Measures:

- v. Begin construction of the Aror and Kimwarer Multipurpose dams to generate 80 MW of electricity power and irrigate 5,000 Ha of land. This will contribute towards the national target of 5,000MW and the 1 million acres irrigation targets.

- vi. The Authority will also upscale its seed production business through prudent management of existing farms and expansion of irrigable land to achieve **at least 3,000 hectares** in the next **two years**.
- vii. The Management intends to implement development at Turkwel downstream irrigation project that will put an additional 30,000 ha of land under irrigation. This will enhance national food security and peace within the Region.

We will continue to expand our revenue base to support our operating activities and create sustainability in the River Basin. We are also focusing on reduction of **300** (three hundred) noncore staff members through early voluntary retirement.

In conclusion, the management would like to thank the Parent Ministry, Stakeholders, KVDA entire Board of Directors and Staff for their contributions towards the achievements made during the year.

Signature

KERIO VALLEY DEVELOPMENT AUTHORITY
P.O. BOX 120 ELDORET
TEL: 020 23361

David Kimosop
C.E.O/ Managing Director

Date: 12/09/2017

V. CORPORATE GOVERNANCE STATEMENT

Corporate Governance is the process by which companies are directed, controlled and held accountable. The Kerio Valley Development Authority Board of Directors is responsible for the overall management and the governance of the Authority and is accountable to the Government for ensuring that the Company complies with the law and the highest standards of best practice in corporate governance. The business and operations of the Authority will be conducted with integrity, accountability, teamwork, customer focus and embrace internationally developed principles of good governance.

Board of Directors meetings

The Board met five times during the year. The Board has the responsibility of establishing and maintaining the Authority's overall financial, operational and compliance controls well as formulating policies for the Authority.

All Board members except the Managing Director are non executive. The Chairman is appointed by the President whereas the other members are appointed by the Minister.

Code of Ethics

The Authority is committed to the highest standards of integrity in dealing with all stake holders. All employees of the Authority are expected to serve with uncompromising spirit in serving the public.

MANAGEMENT DISCUSSION AND ANALYSIS

The Authority was created by the Act of Parliament Chapter 441 laws of Kenya with the mandated to plan, execute, co ordinate, and implementation of development projects within its area of jurisdiction. The projects include: Irrigation projects, Conservation Projects, Multipurpose projects, Mango projects among others.

Under the year under review, Napuu irrigation project was launched and completed. The cabinet secretaries for ministries of devolution and water respectively officiated the launching. Area residents have already reaped the benefits from the project. Wei wei phase three was launched by the president of the republic of Kenya and the project implementation process is

on. Kenyan citations within this area are expected start reaping the benefits in the financial year 2018/2019. Concerning conservation, The Authority played a vital role in ensuring cherengany catchment remains conserved by providing and planting trees. This remains a great achievement by KVDA and the residents around the area.

The Authority planned to develop multipurpose projects Aror and Kimwarer. The Authority management sought funds for these projects successfully. The Processes of public participation and compensation are on and construction of these projects is due to start soon.

In the Authority program was Mango processing factory aimed at adding value to the residents of Aror. Procurement of the processing equipment has been complete. Tendering for construction of the factory is on is due to start within the financial year 2017/2018.

Other projects completed include KVDA southern wing, Kimao Dam, Construction of National water harvesting dams and Samburu livestock project.

There were massive benefits reaped by the residents which include food security, reduced cattle rustler, inter communal coexistence etc.

The Authority experienced challenged that affected part of its operations. They include under funding due to budget adjustment. The Authority projected to receive a total of kshs. 935,930,895 from GOK, Donor, and AIA. However kshs. 432,898,294 inclusive of AIA were received. These funds were not sufficient for the Authority to undertake its projects.

The following are key projects that are ongoing:

- Lumut Irrigation Project
- Rehabilitation of Boreholes
- Wei wei Phase III
- Mango project
- Multipurpose projects

The Authority complied in paying statutory requirements except the historical outstanding unremitted pension remittances.

The Authority faces the risk of underfunding by GOK in terms of employee compensation and under taking its operations.

VI. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Our commitment to our stakeholders and improving quality of life of communities around our area of jurisdiction is central to our corporate identity. During the year under review, the Authority supported the hunger stricken families in Turkana, participated in peace building and initiatives and supported expansion of educational institutions. However much could have been done had it not been due to financial constraints.

VII. REPORT OF THE DIRECTORS

The Directors submit their report together with draft financial statements for the year ended 30th June, 2017 which show the state of the KVDA's affairs.

Principal activities:

- To formulate integrated regional development master plan in partnership with other stakeholders.
- To undertake resource mapping for data bank and promotion of integrated multi-sector investments.
- To carry out appraisal of multi-sectoral investments.
- To monitor, evaluate, document and disseminate data on development levels.
- To market and implement multi-sectoral development projects/investments.
- To mobilize active engagement of stakeholders through various forums.

Results

The results of the entity for the year ended 30th June, 2017 are set out on pages 21 to 39

Directors

The members of the Directors who served during the year are as shown on pages 5 to 6

Internal Controls

The Authority has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information, procedures are also in place to ensure that assets are subject to proper physical controls and that the Organization remains structured to ensure appropriate segregation of duties. In reviewing the effectiveness of the system controls the Board take to consideration the results of all the work carried out to audit and review the activities of the Authority. Monthly meeting are held by management to monitor performance.

Auditors

The Auditor General is responsible for the statutory audit of the KVDA in accordance with the Public Finance Management (PFM) Act, 2012

Signature


KERIO VALLEY DEVELOPMENT AUTHORITY
P.O. BOX 63361 ELDORET
E.S. Kona
Chairman K.V.D.A Board
Date 02/09/2017

VIII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Kerio Valley Development Authority's financial statements, which give a true and fair view of the state of affairs of the Kerio Valley Development Authority for and as at the end of the financial year (period) ended on June 30, 2017.

This responsibility includes:

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

- (iv) Safeguarding the assets of Kerio Valley Development Authority;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

Director's Acceptance

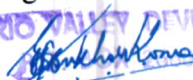
The Directors accept responsibility for Kerio Valley Development Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that Kerio Valley Development Authority's financial statements give a true and fair view of the state of Kerio Valley Development Authority's transactions during the financial year ended June 30, 2013, and of Kerio Valley Development Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for Kerio Valley Development Authority, which have been relied upon in the preparation of Kerio Valley Development Authority financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The KVDA's financial statements were approved by the Board on 12th September 2017 and signed on its behalf by: -

Signature


KERIO VALLEY DEVELOPMENT AUTHORITY
P.O. BOX 2850 ELDORET
TELEPHONE 63361

E.S. Kona
Chairman K.V.D.A Board

Signature


KERIO VALLEY DEVELOPMENT AUTHORITY
P.O. BOX 2850 ELDORET
TELEPHONE 63361

David Kimosop
C.E.O/ Managing Director

REPUBLIC OF KENYA

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Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KERIO VALLEY DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kerio Valley Development Authority set out on pages 40 to 67, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kerio Valley Development Authority as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kerio Valley Development Authority Act, Cap 441 of the Laws of Kenya.

In addition, as required by Article 229(6) of the Constitution, based on the procedures performed, I confirm that, except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, nothing else has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1.0 Trade and Other Receivables

1.1 Doubtful Debts

As previously reported, the doubtful debts' balance of Kshs.37,969,252 as at 30 June 2017 as disclosed in note 30(c) to the financial statements includes a sum of Kshs.22,090,971 owed by a former Managing Director, Kshs.316,740 by former Directors, Kshs.1,506,195 by former staff and Kshs.14,055,346 by former tenants who

Report of the Auditor-General on the Financial Statements of Kerio Valley Development Authority for the year ended 30 June 2017

vacated the premises with arrears. However, as previously reported, the management has not indicated the efforts made so far to have the amounts collected.

Consequently, the validity of the receivable from exchange transactions figure of Kshs.61,164,817 could not be confirmed.

1.2 Staff Debtors

The receivables from exchange transactions balance of Kshs.61,164,817 includes salary advances/IOUs amount of Kshs.4,459,181 as disclosed in note 30(a) to the financial statements relating to the period July 2015 and earlier. However, no justifiable reason has been given for failure to recover these staff debtors which have been outstanding for a long period of time. Further, no provision has been made in respect of these long outstanding debts although their collectability is doubtful.

Consequently, the validity and accuracy of the staff debtor's balance of Kshs.4,459,181 could not be confirmed.

2.0 Trade and Other Payables

2.1 Employee Benefits Obligation

As reported in the previous year, included in the trade and other payables figure of Kshs.57,531,588 as at 30 June 2017 are staff benefits obligation amounting to Kshs.16,933,937 relating to the August 2000 and June 2012 that had not been remitted to the respective pension managers (trustees). This is contrary to the Retirement Benefits Act No.3 of 1997 which requires employers to remit pension deductions to the respective schemes within 15 days of making the deduction. Although management has explained that the delay has been due to under funding and that the Board has approved disposal of some Authority's assets to clear the obligation, no documentary evidence has been provided for audit verification.

The Authority is therefore in breach of the Retirement Benefits' Act No. 3 of 1997 and this may lead to potential risk of fines and penalties due to continued non-remittance of staff benefits.

3.0 Investment Property

As previously reported, the statement of financial position reflects investment property balance of Kshs.708,904,769 as at 30 June 2017 and as disclosed under note 41(b) to the financial statements. The amount relates to the net book value of permanent buildings. However, a detailed schedule of the investment property together with the valuation reports showing how rents paid were determined were not provided for audit review.

In the circumstances, the completeness and accuracy of the investment property balance of Kshs.708,904,769 could not be confirmed.

4.0 Construction of Rokocho Honey Plant

Note 20 to the financial statements reflects conditional grants of Kshs.83,223,680 which include an amount of Kshs.4,270,419 incurred on design and construction of a new honey processing refinery to provide adequate storage and processing space. The contract was awarded to a construction company on 25 July 2016 at a contract sum of Kshs.5,742,000. The contract period was for 240 days commencing on 2 August 2016 and the completion was to be on 3 March 2017 and later extended to 31 August 2017. However, as at March 2018, the project had not been completed despite payment of Kshs.4,270,419 which represented 74% of the contract sum. The management has not explained the circumstances that contributed to the non-execution of the project by the contractor.

Further, it was observed that though the main building had been done up to the roof, both walling and floor plastering had several cracks.

In the circumstances, the objectives of the project has not been achieved and the Authority did not obtain value for money on the expenditure of Kshs.4,270,419 on the project.

5.0 Nagule-Akiring Water pan

During the year under review, the Authority incurred an expenditure of Kshs.13,279,858 on construction of Nagule Akiring Water pan. The contract to construct the water pan (40,000m³) was awarded to a construction company on 3 December 2015 at a contract sum of Kshs.13,279,859. The contract period was 60 days commencing 4 December 2015 and completion date was 2 February 2016. A full payment of Kshs.13,279,858.90 was paid to the contractor on 9 September 2016 vide payment voucher number 56 and certificate no. (1).

A physical verification of the project in the month of March 2018 revealed that the chain link fence which had been erected by the contractor had been vandalized by the community citing security reasons for their livestock while taking water.

Consequently the Authority did not obtain value for money on the expenditure of Kshs.13,279,858.90.

6.0 Rehabilitation of Loyapat Irrigation Scheme

Included in the conditional grants expenditure of Kshs.116,203,104 for the year ended 30 June 2017 as disclosed under note 20 to the financial statements is an amount of Kshs.3,032,996 paid to a contractor for the rehabilitation of Loyapat Irrigation Scheme. The contract was awarded to a construction company on 21 October 2014 at a contract sum of Kshs.46,047,768 through restricted tendering. According to the contract agreement, the works were to commence on November 2014 and expected to be

completed on June 2015. As at 14 February 2017, the total contract sum had been paid. However, the implementation of contract delayed until the financial year 2016/2017 and the management did not provide approval of contract extension.

Further, a physical verification of the project in March 2018 revealed that despite the works of intake accessories being complete, 600 x 500mm control stop-bar at the entrance of siltation chamber and 200mm thick natural stone pitching on sides of the diversion canal intake apron jointed with cement mortar (1,3) c/s mix were not well built. They were built at a lower height and that whenever the river floods the water flows over the stop bar and the stone apron and floods the farms. At the time of audit verification, the main canal from the intake had silted up. Though the project was handed over to the community, the farms had not been cultivated.

Consequently the community may not have obtained value for money on the expenditure of Kshs.46,047,768 on the project.

7.0 Remuneration of Directors

The statement of financial performance reflects remuneration of directors expenses of Kshs.13,114,943. However, the expenditure was not supported with proper analysis indicating the amount paid to each director, nature of the allowance, date of the meeting and nature of the meeting attended.

Consequently, the validity and completeness of the expenditure on remuneration of directors of Kshs.13,114,943 could not be confirmed.

8.0 Audit Fees

The statement of financial performance indicates that there is no provision of audit fees for the audit services rendered. This is contrary to section 41(1)(c) of the Public Audit Act, 2015. Therefore, the management of the Authority is in breach of the law.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

1.0 Financial Performance

During the year, the Authority recorded a deficit of Kshs.101,537,006 which resulted to increased accumulated deficit of Kshs.2,129,080,849 from a deficit of Kshs.2,027,543,843 in 2016. If strategies are not put in place to reverse the loss-making trend, the Authority's future operations are likely to be adversely affected.

2.0 Human Resource Management

2.1 Staff Composition

Included in the statement of financial performance are employee costs amounting to Kshs.197,981,089 for the year ended 30 June 2017. However, audit review of the payroll showed that the Authority had four hundred and fifty-nine (459) employees out of whom three hundred and four (304) or 66% of employees were from the dominant community, while one hundred fifty-five (155) or 34% are from non-dominant communities as detailed below:

Details	Number of staff	No. from Dominant Community	No. From Non-dominant community	% Dominant Community
Board of Directors	17	11	6	65
Senior management	8	7	1	88
Other permanent staff	459	304	155	66
Total	491	322	169	66

In addition, eleven (11) out of the seventeen (17) appointed board members are from the same ethnic community being 65% of the board membership. This is contrary to Section 7 of the National Cohesion and Integration Act, 2008 which requires that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community.

Consequently, the management is in breach of the law.

2.2 Officers in Acting Capacity

Included in employee cost figure of Kshs.197,981,089 is acting allowance expenditure amounting to Kshs.457,484 paid to ten (10) officers who were in acting capacity since January 2013 and earlier. No justifiable reason has however been provided for not filling these positions through competitive process as required by the human resource policy of the Authority. Consequently, the Authority breached its own regulations.

Responsibilities of Management and Those Charged with Governance 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 (Accrual Basis) 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.

In preparing the financial statements, management is responsible for assessing the Authority's ability to sustain services, disclosing, as applicable, matters related to sustainability of services.

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

Those charged with governance are responsible for overseeing the Kerio Valley Development Authority financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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

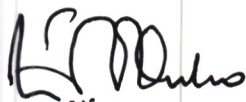
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Authority's internal control.

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

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

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



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

Nairobi

11 July 2018

KERIO VALLEY DEVELOPMENT AUTHORITY | 2016/2017

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2016-2017 Kshs	2015-2016 Kshs
Revenue from non-exchange transactions			
Government grants-Unconditional	19	244,675,184	236,796,586
Donations		-	1,314,400
Conditional Receipts	20	116,203,104	96,763,843
Gain on disposal of Assets	21	3,869,740	379,181
		364,748,028	335,254,010
Revenue from exchange transactions			
Appropriation In Aid	22	188,223,110	186,390,825
Total revenue		552,971,138	521,644,835
Personal Emoluments-Employee costs	23	197,981,089	200,363,015
Administration	24	32,325,244	42,420,953
Operation expenses	25(a+b)	137,649,277	226,824,884
Conditional Grants	20	116,203,104	96,763,843
Remuneration of Directors expenses	26	13,114,943	12,694,144
Finance Costs	27	43,107,727	19,895,064
Audit fee		-	812,000
Depreciation and amortization expense	41	114,126,760	114,925,707
Total expenses		654,508,144	714,699,610
Surplus before tax		(101,537,006)	(193,054,775)
Deffered income Suplus/liability		(101,537,006)	(193,054,775)

The notes set out on pages 26 to 36 form an integral part of the Financial Statements

KERIO VALLEY DEVELOPMENT AUTHORITY | 2016/2017

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Notes	2016-2017 Kshs	2015-2016 Kshs
Assets			
Current assets			
Cash and cash equivalents	29	535,454,634	273,648,248
Receivables from exchange transactions	30(a+)	61,164,817	45,982,860
Inventories	31	25,490,383	46,790,505
		622,109,835	366,421,613
Non-current assets			
Property, plant and equipment	41(b)	4,999,718,706	4,945,737,346
Investment property	41(b)	708,904,769	723,372,213
Biological Assets	32	38,508,935	38,665,205
		5,747,132,410	5,707,774,764
Total assets		6,369,242,245	6,074,196,377
Liabilities			
Current liabilities			
Restricted Funds Liability	33	53,635,158	69,630,475
Auditor General	28	1,112,000	1,112,000
Trade and other payables from exchange transactions	34	57,531,588	94,567,745
Ministry of Devolution -(VR Funds)	36	309,000,000	-
Sub- Total Current liabilities		421,278,746	165,310,220
Non-Current Liabilities	35	380,845,275	240,230,895
Total Liabilities		802,124,021	405,541,115
Total Net Assets		5,567,118,224	5,668,655,262
Capital Reserves		7,696,199,073	7,696,199,073
Revenue Reserves		(2,129,080,849)	(2,027,543,812)
Total net assets and liabilities		5,567,118,224	5,668,655,261

The Financial Statements for the year under review were signed by the chairman and Managing Director on behalf of the KVDA Board of Directors:

KERIO VALLEY DEVELOPMENT AUTHORITY
P.O. BOX 2660 ELDORET
David Kimosop
C.E.O/ Managing Director
Date 02/09/2017

KERIO VALLEY DEVELOPMENT AUTHORITY
P.O. BOX 2660 ELDORET
E.S.Kona
Chairman K.V.D.A Board
Date 02/09/2017

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2017

	Notes	Capital reserves Kshs	Revenue reserve Kshs	Totals Kshs
Balance as at 1st July 2015		7,696,199,073	(1,834,489,037)	5,861,710,036
Surplus/(deficit) for the period		-	(193,054,806)	- 193,054,806
Balance as at 30 June 2016		7,696,199,073	(2,027,543,843)	5,668,655,230
Balance as at 1st July 2016		7,696,199,073	(2,027,543,843)	5,668,655,230
Surplus/(deficit) for the period		-	(101,537,006)	(101,537,006)
Balance as at 30 June 2017		7,696,199,073	-2,129,080,849	5,567,118,224

KERIO VALLEY DEVELOPMENT AUTHORITY 2016/2017

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2017

	Notes	2016-2017 Kshs	2015-2016 KShs.
Cash Flows from Operating Activities			
Receipts			
Government Grants & Subsidies	19	598,675,184	236,796,586
Donations		-	1,314,400
Receipts from Disposal of Assets	21	2,731,000	810,428
sale of Goods	22(a&b)	113,627,010	105,751,785
Other Income, rentals	22(c)	74,596,100	80,639,040
TOTAL RECEIPTS		789,629,294	425,312,239
Payments/Cash outflows			
Conditional Expenses	20	(116,203,104)	(96,763,843)
Compensation of Employees	23	(197,981,089)	(200,363,015)
Administration Expenses	24 (c)	(31,513,244)	-
Operation Expenses	25(a&b)	(137,649,277)	(269,245,837)
Remuneration of Directors	26	(13,114,943)	(12,694,144)
Finance Costs-	27	(43,107,727)	(19,408,400)
Southern Wing Project	35	(140,614,381)	(146,427,682)
Advance to China WuYi		-	(5,734,503)
		(680,183,675)	(750,637,424)
Net cash generated from operating activities		109,445,529	(325,325,185)
Cash flows from Investing Activities			
Purchase of Property, Plant and Equipment	41(a)	(8,464,999)	(18,152,906)
Retention funds		20,211,475	(10,447,301)
		11,746,476	(28,600,207)
Net Cash flow from Investing Activities		121,192,005	(353,925,392)
Cash flows from financing activities			
Borrowing	19	140,614,381	146,427,682
Net cash and cash equivalents		261,806,386	(207,497,710)
Cash and cash equivalent at the beginning of the			
period	20	273,648,248	481,145,958
Net Cash & Cash Equivalents - End	20	535,454,634	273,648,248

KERIO VALLEY DEVELOPMENT AUTHORITY

2016/2017

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference	
	2016-2017	Kshs	2016-2017	Kshs	2016-2017	Kshs	2016-2017	Kshs	2016-2017	Kshs
Revenue										
Government grants and subsidies										
Recurrent	118,675,184		-		118,675,184		118,675,184		-	
Recurrent	-		309,000,000		309,000,000		309,000,000		-	
Development	205,000,000		(79,000,000)		126,000,000		126,000,000		-	
Donor Funds	419,000,000		(218,700,000)		200,300,000		66,393,680		(133,906,320)	
AIA	193,255,711		-		193,255,711		200,910,914		7,655,203	
Total Revenue	935,930,895		11,300,000		947,230,895		820,979,778		(126,251,117)	
Expenditure										
Personal Emoluments/ incentive/salary										
Arrears	199,722,000		-		199,722,000		197,981,089		1,740,911	
Operation Expenses	205,000,000		(79,000,000)		126,000,000		137,649,277		(11,649,277)	
Administration Expenses	40,757,052		-		40,757,052		32,325,244		943,237	
Remuneration of Directors	14,000,000		-		14,000,000		13,114,943		885,057	
Finance Costs	45,000,000		-		45,000,000		43,107,727		1,892,273	
Boreholes	-		45,000,000		45,000,000		2,386,022		42,613,978	
Total Expenditure	504,479,052		(34,000,000)		470,479,052		426,564,302		43,153,231	
Net Difference	431,451,843		22,700,000		476,751,843		394,415,476		(89,824,938)	

34) Notes; Explaining statement of comparison of Budget and actual.

- a) The Authority received Kshs. 309,000,000 for voluntary early retirement. The program implementation is ongoing and payments will be effected in the financial 2017/2018.
- b) The donor funds of kshs. 419,000,000 for Wei wei phase III was revised to kshs. 200,300,000 during the supplementary budget. At the close of the financial year the contractor had raised certificates amounting to kshs. 68, 588,6489 leading to under absorption of kshs. 133,906,320. The under absorption was attributed to time taken in seeking for VAT exceptions.
- c) The Authority had budgeted for kshs.45, 000,000 for interest repayment. This was based on projected draw down of kshs 400,000,000 for construction of KVDA southern Wing. At the close of the financial year, the actual amount of loan drawn was kshs. 376,037, 783. Hence the lower interest paid.
- d) Under the financial year the Authority had budgeted for kshs205, 000,000 for its operations. The funds were revised downwards to kshs. 126,000,000 during the supplementary out of which kshs 137,649,277 was expenditure for the period under review.
- e) During the financial year, the Authority received kshs. 27,000,000 and another 18,000,000 for draught mitigation. The funds are meant for rehabilitation of identified boreholes. At the close of the financial year kshs. 2,386,022 had been spent in identification and drawing of technical specification for identified works. Procurement for the works was carried out towards the end of the financial year and pay outs for works will be carried out in 2017/2018 financial year.

NOTES TO THE FINANCIAL STATEMENTS**1). Background**

The Authority was established on the 31st August, 1979 through Act of Parliament Chapter 441 laws of Kenya. The entity is wholly owned by the government of Kenya and is domiciled in Kenya. The entity is mandate to plan and co ordinate the implementation of development projects in Kerio and Turkwel catchment areas.

Statement of compliance and basis of preparation-IPSAS 1

The Authority's financial statements have been prepared in accordance with and comply with the International Public Sector Accounting Standards (IPSAS). The Financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity.

The financial statements have been prepared on basis of the historical cost. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

Adoption of new and revised standards

- i). Relevant new standards and amendments to published standards effective for the year ended 30, 2017
- ii). New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017
- iii). The Authority did not early – adopt any new or amended standards in the year 2017.

2). SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**a) Revenue recognition****i) Revenue from non-exchange transactions-IPSAS 23**

Revenue from non-exchange transactions and other Government entities are recognized when it is probable that future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

b). Revenue from exchange transactions-IPSAS 9**i). Rendering of Services**

Kerio Valley Development Authority recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. Where the contract cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

ii). Sale of Goods

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

Sale of goods (Honey, Livestock, Seedlings, & Bee Hives)

Revenue from sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, on delivery of the goods and revenue can reliably be measured.

iii). Interest Income

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

iv). Rental income

Rental income arising from operating leases on investment properties is accounted for on line basis over the lease term and included in revenue

iv). Donation

The Authority treats donations as revenue from non-exchange transaction in (i) above.

3) Conditional Funds

The Authority recognizes conditional funds as income but this is only if it is certain that it will meet and comply with conditions attached to these funds. (IAS NO 20) Payments for all restricted funds are paid for upon receipt of certified certificate of works completed and as per contracts awarded

4) Budget information – IPSAS 24

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 entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

5). Cash and Cash Equivalent

Cash and cash equivalent comprise cash on hand and at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Bank account balances include amounts held at the central bank of Kenya and at various commercial banks at the end of the financial year. For the purpose of these financial statements, cash and cash equivalents also include short term cash imprest and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

6). Taxes

Kerio Valley Development Authority is a state owned entity. State entities are exempt from paying Tax.

7) (a) Property, plant and equipment – IPSAS 17

All property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as 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.

7 (b) Investment properties – IPSAS 16

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time

that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

8). Depreciation:-

Fixed assets are depreciated (on prorata basis) on their reducing Net Book Value (NBV) balances.

Depreciation is charged fully on the year of purchase and none in the year of disposal Computation of depreciation (see note 27)

Depreciation rates

Assets category	Annual %
(i) Buildings- Permanent	2
(ii) Buildings- Semi-permanent	10
(iii) Plant, machines & Farm Equipment	25
(iv) Motor Vehicles	25
(v) Tractors & Dozers	25
(vi) Office Furniture & Fittings	12.5
(vii) Loose Tools & Equipments	12.5
(viii) Survey & Drawing Equipments	12.5
(ix) Office machines & Equipments	12.5
(x) House Furniture & Fittings	12.5

9) Recognition and Measurement of biological assets IPSAS 27

The Authority recognizes a biological asset when and only when:

- (a) The it controls the asset as a result of past events;
- (b) It is probable that future economic benefits or service potential associated with the asset will flow to it,
- (c) The fair value or cost of the asset can be measured reliably.

10) Inventories – IPSAS 12

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

11) Provisions – IPSAS 19

Provisions are recognized when the Entity 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 required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity 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.

12). Loans and Receivables

Loans and receivables are non-derivative financial assets and with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective rate. Losses arising from impairment are recognized in the surplus or deficit.

13). Nature and Purpose of Reserves

The Entity creates and maintains reserves in terms of specific requirements. State reserves and appropriate policy

14). Changes in accounting policies and estimates.

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

15). Related Parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

16). Service Concession arrangements

The Authority has no Service Concession arrangements.

17). Comparative Figures

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

18). Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Entity'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

State all judgments, estimates and assumptions made: e.g

a) 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 Entity 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 Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

b) Useful lives and residual values

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

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

c) Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statement for the ended June 30, 2017.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19) (a). Government Grants/Transfers.

The Authority during the year under review, the Authority received a total of **Kshs. 244,425,184** grants for core activities as bellow:

Transferring Entity	Amount recognized to statement of comprehensive income	Amount deferred under deferred income	Amount recognized in capital fund	Total grant income during the year 2016-2017 Kshs.	2015-2016 Kshs.
Ministry of Devolution (Recurrent)	118,675,184	-	-	118,675,184	102,141,586
Ministry of Devolution- Project	126,000,000	-	-	126,000,000	134,655,000
Other Regional Development Authorities	-	-	-	-	1,314,400
Total	244,675,184			244,675,184	238,110,986

Development funds relate to implementation of projects while recurrent funds relate to Employee costs and administration expenses.

(b) During the year under review, the Authority received funds totalling to kshs. 354,000,000 only to undertake activities as tabulated in the table below on behalf of the government.

Boreholes	45,000,000
Voluntarily Retirement	309,000,000
Total Grants Liability	354,000,000
Grand Receipts (A+B)	598,675,184

Note; The Authority received **Kshs 244,675,184 only being transfers from GOK** and Kshs 354,000,000 only being funds for re-habitation of boreholes and voluntarily retirement.

20) Grants-Conditional funds

Payee	Station	Amount (Kshs)
Economic Stimulus Program		
Loyapat	3,023,996	29,680,621
Ptokou Sangat	1,127,904	8,072,886
Etyo	275,357	2,854,327
Rokocho	4,454,831	-
Donor (Wei wei Phase III)	68,588,489	-
Tot Arror & Sangach	2,389,127	-
Kimao	3,363,976	-
Sub-total	83,223,680	40,607,834
Water harvesting		
Samburu county	64,350	162,500
Elgeiyo county	450,000	4,752,350
Uasingishu county	429,870	17,948,204
Hq cordination costs	5,255,918	3,330,563
W. Pokot county	41,000	724,244
Transzoia county	72,500	4,875,400
Baringo county	1,843,174	12,432,792
Turkana county	24,822,612	11,929,956
Sub-total	32,979,424	56,156,009
Grand total	116,203,104	96,763,843

Note: - The Authority has been implementing major ESP works at Arror Tot & Ptokou/Sangat Irrigation Schemes. These works have since been completed.

21). GAIN ON DISPOSAL OF MACHINARIES AS AT 30TH JUNE 2017

PARTICULARS	COST Kshs.	ACC. DEPRECIATION Kshs.	SALE AMT Kshs.	GAIN/LOSS Kshs.
GRADER Disc. KOMATSU-KZX 385	2,121,051	2,120,377	2,120,000	2,119,326
SHOVEL KOMATSU WHEEL LOADER- KZX 388	1,846,855	1,846,269	1,751,000	1,750,414
TOTAL	3,967,906	3,966,646	3,871,000	3,869,740
Less cash receipts				2,731,000
Accrued Funds				1,138,740

22). Appropriation In Aid

(a) Other Income	2016-2017 Kshs.	2015-2016 Kshs.
Description		
Beekeeping	25,208,420	18,168,510
Sale of Farm Produce	9,037,448	6,795,574
Hire of Plant Equipment	-	18,600
Sale of Boarded Stores	-	735,065
Miscellaneous/interest	21,730,772	23,419,311
Sale of Tree Seedlings	70,450	2,171,065
Pasture seed & Livestock	8,900,000	6,683,400
Sale Mango Seedling	3,679,920	2,760,260
Total	68,627,010	60,751,785
(b) Kenya Electricity Generating Co. Ltd	45,000,000	45,000,000
Sub-Total AIA =(a) + (b)	113,627,010	105,751,785
(c) Rental Revenue	74,596,100	80,639,040
Grand Total AIA =(a) + (b) + (c)	188,223,110	186,390,825

23) Employee Costs (Personnel Emoluments)

Employee cost	2016-2017	2015-2016
Description	Kshs.	Kshs.
Personal Emoluments	92,239,362	98,486,494
House Allowance	33,514,000	36,089,830
Acting Allowance	457,484	450,098
Hardship Allowance	4,280,400	4,485,200
Medical Allowance	25,368,660	24,841,688
Special Duty Allowance	155,819	258,271
Extraneous Allowance	1,012,915	1,007,298
Leave & Passage	3,528,000	3,418,000
Commuter Allowance	21,475,000	22,567,000
N.S.S.F Employer's portion	1,136,200	1,198,400
Pension	6,171,854	6,452,705
Gratuity	4,691,069	-
Transfer Allowance	403,544	172,718
Non Practicing Allowance	60,000	60,000
Contractual Employees	467,155	515,313
Incentive& Awards	1,800,000	-
Salary Arrears	859,627	-
Disability Help Allowances	360,000	360,000
Sub-Total	197,981,089	200,363,015

24)(a) Administration expenses		2016-2017	2015-2016
Description	Kshs	Kshs	
Utilities, Supplies and Services	-		20,325,573
Communication & Supplies Services	625,277		1,845,392
Daily substance	1,987,962		2,559,113
Rent & Rates-Residential	975,351		2,413,949
Benevolent Expenses	113,800		559,500
Hospitality	2,330,013		3,495,514
Insurance of Properties	1,643,895		1,015,938
Purchase of Uniforms & Safety	-		10,385
Office General Supplies (Stationery)	451,433		582,742
Fuels, oil and lubricants	25,547		109,963
Contracted Professional Services	2,245,191		1,210,000
Routine Maintenance of Assets	759,717		544,231
Audit Fees	812,000		-
VAT Penalty	694,609		-
Domestic Tax Land Rent	1,097,468		-
Bank Charges	-		259,228
V.A. T	-		7,429,601
Motor Vehicle Repairs	-		30,654
Office Machines Repair	6,500		29,170
Bank Charges	839,802		-
Sub totals	14,608,565		42,420,953
(b). Goods & Services /Utilities		2016-2017	2015-2016
	Kshs.		Kshs.
Electricity	7,365,719		-
Water	3,254,520		-
Cleaning Services & Police	7,096,440		-
Total goods & services	17,716,679		-
Total administration expenses a+b	32,325,244		42,420,953
(c) Administration expenses (Cash flow)			
Total expenses	Kshs 32,325,244		
less audit fee not paid	Kshs 812,000		
Cash flow amount	Kshs 31,513,244		

25) (a) Operation/General Expenses	2016-2017	2015-2016
Description	Kshs.	Kshs.
Cherangany Water Shed Conservation	7,650,989	2,732,682
Pasture Development (Chemeron)	1,607,557	4,349,827
Livestock Improvement (Chesongoch)	590,663	484,711
Livestock Improvement (Nomotio)	518,318	2,595,868
Kerio Roses	884,649	1,842,028
Lodwa Green House	71,876	108,020
Honey Value Chain Project/Marketing	5,375,265	-
Honey Processing- Rokocho	-	9,039,917
Honey Processing-Kabarnet	-	2,914,988
Marketing	-	591,213
Honey –Samburu	-	39,000
ICT	432,554	1,750,789
ISO	1,458,050	-
Development Of Conservancies/Eco-Tourism	22,541	-
Corporate Communication	6,139,828	3,521,007
Research & Development	1,163,702	11,264,420
Public Participation	4,512,644	-
Monitoring & Evaluation	322,010	-
PC Targets	3,982,565	-
PC Targets Gender	-	55,600
PC Targets Disability	-	46,500
Competency	74,000	1,710,624
Employee Satisfaction/Work Environment	56,100	1,352,500
HIV/AIDS Prevention	6,000	-
Project Supervision	1,618,814	-
Turkwel Dam Monitoring	903,420	1,283,889
General Expenses Regions		
Region offices- Kerio Region Office	664,775	1,760,076
Region offices- Lake Baringo Region Office	652,966	809,728
Region offices- Lake Turkana Region Office	1,556,514	3,089,267
Region offices- Samburu Region Office	718,599	3,018,581
Region offices- Turkwel Region Office	513,078	1,108,121
County Coordination	119,150	323,000

Crops production- Arror Farm (Kamsiwet)	-	5,449,374
Crops production -weiwei (Soya)	-	2,159,768
Crops production -Arror (chepkum)	-	2,510,734
Weiwei phase 1 & 11	-	275,330
Fruits & Tree seedlings	-	530,974
Livestock Dev. -Fisheries weiwei	-	39,000
Conservation- Other areas tree seedlings	-	1,087,058
Conservation- Suam	-	2,383,181
Mobilisation project Funds	-	3,973,634
Mango processing plant	-	5,859,137
HQs Expenses	-	10,035,003
Safety Measures	-	12,100
Mineral- Engineering mineral & water resources	-	314,987
Weiwei phase 111	-	4,009,430
KVDA Plaza	-	919,663
Livestock Dev. -Chemeron	-	1,474,296
Project Support (Transport)	9,497,010	14,672,282
Marich Irrigation Project	-	32,025,477
Irrigation Infrastructure	-	83,301,100
Totals	51,113,637	226,824,915

(b) Grants Expenses	2016-2017	2015-2016
	Kshs.	Kshs.
Arror Multipurpose Project	16,556,125	-
Weiwei	4,238,554	-
Arror Chepkum	861,876	-
Arror Kamsiwet	1,991,468	-
Lomut	109,535	-
Lower Turkwel/Napuu Irr Infrast Devpt	16,707,347	-
Weiwei Phase Iii	30,508,706	-
Mango Value Chain	5,005,767	-
Marich Pass	8,170,240	-
Boreholes	2,386,022	-
Total	86,535,640	-
Grand Totals Grants A+B	137,649,277	-

26) Remuneration of directors

These are expenses paid to the board of directors while performing KVDA duties.

They include sitting, Mileage, night out allowances and honorarium expenses.

	2016-2017	2015-2016
Chairman's Honoraria	960,000	-
Director's Sitting Allowances	6,001,936	-
Other allowances (Board Expenses)	4,978,823	-
Medical Cover	1,174,184	-
Total director emoluments	13,114,943	-

27) Finance Costs

Interest ON Loan

The Loan Interest resulted from a loan of kshs.400,000,000 the Authority took from KCB for construction of KVDA Southern Wing. The interest has accumulated to to kshs. 63,002,792 as at 30th June 2017.

The total drawdowns for the year amounted to **kshs. 140,614,380.85** only.

	2016-2017 Kshs	2015-2016 Kshs
Interest Expense for the year ended June 2017	43,107,727	19,895,065
Total	43,107,727	19,895,065

28) Audit Fees

Note: Audit Fee for the year

	2016-2017 Kshs	2015-2016 KShs.
Balance b/f	1,112,000	1,112,000
Fee for the year	812,000	812,000
Less payment	- 812,000	(812,000)
Total Balance c/d	1,112,000	1,112,000

29) (a) Cash & Bank Balances

Cash and cash equivalent comprise cash on hand and cash at Bank. Bank account balances include amount held at various commercial banks at the end of the financial year. For purposes of these financial statement, cash and cash equivalent include interest and advances to KVDA officers. These are various cash and bank Cash Book balances maintained & operated by the Authority namely:-

Account name Financial institution	A/C NO Account number	2016-2017 Kshs.	2015-2016 Kshs.
a) Current account			
Kenya Commercial banks			
1. KVDA Premises A/C	1169785719	7,213,465	5,847,552
2. KVDA Development A/C	1169784720	427,286,794	123,657,263
3. KVDA Recurrent A/C	1169784984	3,056,381	8,234,966
4. Turkwel A/C	1169785344	244,660	100,833
5. KVDA Depreciation A/C	1169786111	297,266	33,805
6. KIDDP A/C	1169785166	375,809	10,371,288
7. KVDA L. Turkana Region	1150365099	3,495	60,823
8. KVDA L. Turkwel Region	1138684031	1,119	537
9. KVDA L. Baringo Region	1138684007	31,671	4,145
10. KVDA Kerio Region A/C	1138683884	6,256	1,588
11. KVDA Samburu Region	1148701583	63	1,296,216
12. KVDA Farm Produce	1133480969	3,250,107	1,129,581
13. KVDA Machinery A/C	1131849132	3,088,902	723,027
14. KVDA Service Charge A/C	1133481035	468,619	687,784
15. KVDA Honey & other B	1146518099	9,381,259	10,358,782
16. KVDA Service Centre a/c	1001027717004	1,979,126	3,041,833
17. KVDA Sigor a/c	1001027717005	12,592	120,662
18. KVDA Retention A/C	1181606381	12,556,197	-
19. Development A/C- NBK	01001027774800	-	539,467
20. Recurrent A/C-NBK	01001027774801	-	726,698
21. Turkwel Gorge A/C- NBK	01001027717002	-	127,479
22. KIDDP A/C -NBK	01001027774805	-	350
23. Premises A/C- NBK	01001027717003	-	2,903,774
24. KVDA Depreciation NBK	01001027774803	-	284,393
		469,253,780	170,252,844
Restricted funds: -			
E.S.P-KCB	1169785492	12,791,710	33,556,343
NWH&SP a/c-KCB	1169783589	35,399,645	69,837,123
Cash on Transit		18,000,000	
E.S.P-NBK	01001027774805	-	953
NWH&SP a/c-NBK	01001027774806	-	985
Sub-Total		66,191,355	103,395,404
Total		535,445,135	273,648,248

30). (a) Trade & Other Receivables	2016/2017	2015/2016
Trade debtors	42,702,257	19,191,734
Sales	-	13,886,156
Staff Debts	1 73,950	281,290
Salary advances/Ious	4,459,181	4,459,181
	47,335,388	37,818,361

b) Receivables from Non-Exchange Transactions (Pre-payments)

Description	Kshs	KShs.
National Oil Corporation of Kenya	1,000,000	1,000,000
Toyota	500,000	550,000
China Wu Yi Co Ltd	-	5,734,503
Wambwa Musembi, Chebii & Co. Advocates	879,996	879,996
Wei wei Intergrated Devlpt Association	218,970	-
Staff	11,230,463	-
Total	13,829,429	8,164,499
Total Receivables (a+b)	61,164,817	45,982,860

c) Provision for bad debts IPSAS 19

Name (Long Outstanding Debts)	2016/2017	2015/2016
Former Managing Director- Immanuel Imana	22,090,971	22,090,971
Former Directors	316,740	316,740
Former Employees	1,506,195	1,506,195
Tenants who have since left premises	14,055,346	14,055,346
Total	37,969,252	37,969,252

Note; Provision for the debts was made in the financial year 2014 / 2015. The purpose is for disclosure purposes.

31) Inventory IPSAS 12

Inventory is measured at cost upon initial recognition. The cost of the inventory is its fair value at the date of acquisition. Inventories are recognized as an expense when deployed for utilization in the ordinary course of operations of the entity.

Category	2016-2017 KShs	2015-2016 KShs
Processed Honey	3,150,027	17,881,984
Crude and semi processed Honey	5,083,808	13,206,000
Building & Plumbing	4,953,077	4,329,168
Spare Parts	2,739,023	2,849,118
Beehives & Honey Equipments	1,593,848	2,790,260
Tools & Equipments	3,734,921	2,250,092
Packaging Materials	2,129,421	1,431,510
Farm inputs	1,220,405	996,520
Stationery	367,670	902,129
Fuel, Oil lubricants	91,294	50,002
miscellaneous	-	44,263
Agro-Vet (Live Stock)	211,161	28,610
Electrical	5,820	17,474
General stores	209,909	13,375
Total	25,490,383	46,790,505

32) Biological Assets

Biological Assets include tree seedling and farm animals. These assets are valued at cost

Description	2016-2017 Kshs	2015-2016 Kshs
Seedlings	35,218,935	33,489,855
Animal Goats	890,000	768,000
Animal Sahiwal Cattle	2,400,000	4,407,350
Total	38,508,935	38,665,205

LIABILITIES

33) Conditional Funds Liability

Balance at end of period	66,191,355	103,395,404
Less Retention	(12,556,197)	(33,764,929)
Total	53,635,158	69,630,475

34) Trade & Other Payables

Description	2016-2017 Kshs	2015-2016 KShs.
Creditors (Recurrent A/C)	17,851,440	26,753,874
Unremitted salary deductions	16,933,937	16,934,606
Pensions /Insurance Refunds	482,082	728,517
Premises (tenants' prepayment)	-	4,296,907
Other Creditors(China Wu Yi)	9,707,932	12,088,912
Retention- (Water pans & Others)	12,556,197	33,764,929
Total	57,531,588	94,567,745

35) Non-Current Liabilities (Construction of KVDA southern wing)

The Authority has an agreement with KCB Bank to receive loan up Kshs. 400 million.

Within the financial year, there was loan draw down of kshs 140,614,380 being part payment of the construction of KVDA southern wing

	2016/2017	2015/2016
Balance b/d	240,230,895	93,803,214
Certificate of payment	140,614,380	146,427,682
Total	380,845,275	240,230,895

36) Voluntarily early Retirement

The Authority received kshs. 309,000,000 (three hundred nine million shillings for restructuring) exercise During the financial year under Audit.

37) Capital Reserves

Capital reserves include Land, building, Tractors & Dozers,

Plant Machinery, equipment, Motor Vehicles Furniture and Turkwel Gorge.

38) Bad Debts Written Off

There were no bad debts written off in the current financial year.

39) Contingent Items

Included in the exchange transactions is a receivable deposited by the authority to enable it make an appeal in a court case NO. 96 of 2013 of kshs 875,996. This money was deposited as a result of a court order to enable the authority make an appeal. There is a high chance of winning this case.

40) Related Party Disclosure IPSAS 20

The Authority has a related party relationship with Ministry of Devolution Planning and Statistics, The National Treasury, Office of the President and sister regional Authorities which from time to time give circulars on financial and operational issues

KERIO VALLEY DEVELOPMENT AUTHORITY | 2016/2017

41)(a) NON-CURRENT ASSETS SCHEDULE FOR THE PERIOD ENDED 30th JUNE 2017 PROPERTY, PLANT & EQUIPMENT I (KSHS)

	LAND KSHS	SURVEY & DRAWING EQUIPT. KSHS	BUILDINGS SEMI-PERMANENT KSHS	BUILDING PERMANENT KSHS	PLANT MACHINERY & EQUIPMENT KSHS	OFFICE MACHINERY & FITTINGS KSHS	MOTOR VEHICLES & LORRIES KSHS	TRACTORS & DOZERS KSHS	OFFICE FURNITURES & FITTINGS KSHS	HOUSE FURNITURE & FITTINGS KSHS	LOOSE TOOLS & EQUIPT. KSHS	TURKWEIL GORGE PROJECT	WORK IN PROGRESS	TOTALS KSHS
Cost as at July 2015	87,879,950	6,999,117	9,855,151	951,538,749	16,246,229	20,182,973	76,671,426	37,925,776	7,214,373	1,983,566	2,517,099	7,001,309,300	93,803,214	8,314,126,92
Disposal	-	-	-	-	-	-	(4,580,374)	-	-	-	-	-	-	(4,580,374)
Southern Wing	-	-	-	-	-	-	-	-	-	-	-	-	155,909,201	155,909,20
Additions	-	162,584	-	17,990,322	-	-	-	-	-	-	-	-	-	18,152,90
Cost as at 30th June 2016	87,879,950	7,161,701	9,855,151	969,529,071	16,246,229	20,182,973	72,091,052	37,925,776	7,214,373	1,983,566	2,517,099	7,001,309,300	249,712,415	8,483,608,65
Cost 1st July 2016	87,879,950	7,161,701	9,855,151	969,529,071	16,246,229	20,182,973	72,091,052	37,925,776	7,214,373	1,983,566	2,517,099	7,001,309,300	249,712,415	8,483,608,65
Disposal	-	-	-	-	-	-	-	(3,967,906)	-	-	-	-	-	(3,967,906)
Southern Wing	-	-	-	-	-	-	-	-	-	-	-	-	140,614,381	140,614,381
Additions	-	-	-	-	295,000	-	8,169,999	-	-	-	-	-	-	8,464,99
Cost as 30th June 2017	87,879,950	7,161,701	9,855,151	969,529,071	16,246,229	20,182,973	80,261,051	41,893,682	7,214,373	1,983,566	2,517,099	7,001,309,300	390,326,796	8,636,360,941
Dep. As at 30th June 2015	-	5,027,728	9,139,570	231,394,159	13,080,969	12,435,304	63,241,650	30,270,816	4,543,144	1,711,162	1,860,579	2,326,868,307	-	2,699,573,38
Charge for the year July 2016	-	266,747	71,558	14,762,698	791,315	968,459	2,212,351	1,913,740	333,904	34,051	82,065	93,488,820	-	114,925,707
Dep. As at 30th June 2016	-	5,294,475	9,211,128	246,156,857	13,872,284	13,403,762	65,454,001	32,184,556	4,877,047	1,745,212	1,942,644	2,420,357,127	-	2,814,499,09
Disposal	-	-	-	-	-	-	(4,562,556)	(3,966,646)	-	-	-	-	-	(8,529,202)
Dep. As at 1 July 2016	-	5,294,475	9,211,128	246,156,857	13,872,284	13,403,762	60,891,445	28,217,910	4,877,047	1,745,212	1,942,644	2,420,357,127	-	2,805,969,89
Charge for the year 2015/2017	-	233,403	64,402	14,467,444	593,486	847,401	3,701,763	1,435,305	292,166	29,794	71,807	91,619,043	-	113,356,015
Dep. As at 30th June 2017	-	5,527,879	9,275,531	260,624,302	14,465,770	14,251,164	64,593,207	29,653,215	5,169,213	1,775,007	2,014,451	2,511,976,171	-	2,920,096,65
NBV JUNE 2017	87,879,950	1,633,822	579,620	708,904,769	2,001,709	5,931,809	14,527,205	4,748,298	2,045,160	208,559	502,648	4,489,333,129	390,326,796	5,708,623,47
NBV JUNE 2016	87,879,950	1,867,226	644,023	723,372,213	2,373,945	6,779,211	6,637,051	5,741,220	2,337,325	238,354	574,454	4,580,952,173	249,712,415	5,669,109,55

(b) Property , Plant & Equipment

All Authority Fixed Assets are as tabulated in note 41 (a) of these financial statement.

Total Assets	(refer note 33)	5,708,623,475
Less Building under Investment		708,904,769
Non Investment Property		4,999,718,706

FINANCIAL STATUS

Budget Trend

Over the last 5 years, the Authority has experienced a downward trend in Government funding and this has affected implementation of its programmes/projects.

Financial Year	2016/2017 Ks. Million	2015/2016 Ks. Million	2014/2015 Ks. Million	2013/2014 Ks. Million	2012/2013 Ks. Million
GoK Approved Budget	205	224.7	326.5	207.5	259.5
Actual Received	126	134.7	277	207.5	153.4
Shortfall	79	90	50	-	106

During 2017/2018 financial year, the Authority is operating on a programme based development budget of Kshs. 624,000,000 (Six hundred and twenty four million). The programme and project funding status is as follows:

No.	PROGRAMME	Gross Expenditur (Kshs. million)	AIA/DONOR (Kshs. million)	GOK (Kshs. million)	Percentage Utilization
1	CHERANGANY WATERSHED CONSERVATION PROGRAMME- Programme involves the conservation of the Cherangany watershed and river basins.	64	-	64	Funds not yet received
2	ARROR MULTIPURPOSE PROJECT*- Development of Multipurpose dam on Arror and Kimwarer Rivers to realize 80mwof power, 4500ha irrigation, store 83.3 m m3 of water and conserve 341km2 of catchment	12,782	9450	-	Utilization notice issued for donor funding. Counter- part funds yet to be allocated.
3	WEI WEI PHASE 3 – irrigation infrastructure on 325 ha at Sigor, West Pokot	460	419	41	Funds not yet received
4	MANGO VALUE CHAIN PROJECT- Development of a mango factory at Tot, Elgeyo Marakwet	20	-	20	Funds not yet received
5	NAPUU, LOMUT AND LOWER TURKWEL IRRIGATION PROJECT – Development of 150 ha of irrigation infrastructure in Turkana and West Pokot	40	-	40	Funds not yet received
6	KVDA PLAZA LIFT REPLACEMENT – installation of 3 no. lifts to serve the new wing of KVDA Plaza	40	-	40	Funds not yet received
	TOTAL	624	419	205	

Financial Report

Authority's net asset base in kshs 6.4 billion and the summary of the financial report is summarized below.

	Details	2016/2017 (Un Audited)	2015/2016 (Audited)
1	Government grants		
	i. Recurrent	118,675,184	102,141,586
	ii. Development	126,000,000	134,655,000
	Total	244,675,184	236,796,586
2	INCOME/Internally generated funds	188,223,110	186,390,825
3	Net Profit/ Surplus	108,400,231	- 193,054,806
4	Shareholders' fund/Equity	5,560,254,999	5,668,655,230
5	Non- current assets	5,755,423,967	5,707,774,764
6	Current Assets	618,252,562	366,421,613
7	Total Asset	6,373,676,529	6,074,196,377
8	Non- Current Liabilities	376,037,784	240,230,927
9	Current liabilities	437,383,746	165,310,220
10	Total Liabilities	813,421,530	405,541,147
11	(a) Loans procured from GOK during the Year	-	-
	(b) Other loans procured during the Year	376,037,784	247,512,415
	Total (a+b)	376,037,784	247,512,415

- i. Non-current Liabilities of kshs 376 million is as a result of loan drawn from KCB to finance construction of KVDA's Southern Wing. The Authority has a loan agreement of kshs 400 million with KCB.
- ii. The increase in current liabilities from 165 million to 437 million; and current assets from 366 million to 618 million is largely due to funds received for Voluntary Early Retirement programme targeting 300 staff
- iii. Authority's major assets are the Turkwel Dam (costing Ks. 7 billion and holding 1.6 billion m3 of water); and the 14 storey KVDA Plaza at Eldoret (valued at Ks. 1 billion).
- iv. Recurrent budget has not been sufficient to meet the salary obligations in full due to historical bloated staff.
- v. To address the issue of Financial Deficit and to make the authority financially sound and stable the Authority has embarked on revenue generation initiatives which increased the authority's internal revenue from 100 million in 2013 to over 200 million in 2017. The initiatives in place will see the authority funding its operations fully within the next 4 years and paying dividends to the National Treasury.

PENDING BILLS FOR FY 2016/17

	Description	Particulars	Amount (Kshs)	Remarks
1	Pension fund	Unremitted staff pension	20,392,474	Historical Pending remittances -The Authority has sought concurrence of the Parent Ministry and Treasury to dispose some of its assets in order to clear this debt
2	West Pokot, Uasin-Gishu, Elgeyo/Marakwet, Baringo, and Nairobi Counties	Land Rates and Rent	13,623,158	Arrears from land rates accumulated over the years
Total Recurrent Pending Bills			34,015,632	

Summary of Planned activities for the remainder of 2017/2018

The planned activities for the remainder of the year 2017/2018 include:

- i. Implementation of Aror and Kimwarer Multipurpose projects
- ii. Completion of irrigation projects namely: Wei Wei Phase 3, Lomut and Napuu projects.
- iii. Completion and operationalization of Mango factory
- iv. Undertaking of conservation activities within Cherangany watershed and protection of the river basins.
- v. Procurement and installation of 3No. lifts
- vi. Commissioning of KVDA Southern Wing
- vii. Review and development of Strategic Plan 2019-2023

Current staff establishment and size of payroll

The Authority has a total of 463 staff. Monthly personnel costs amounts to Kshs. 17.9 million. This includes Basic Salary, House Allowance, Commuter Allowance and all other allowances such as Extraneous, Special duty Allowance, Acting Allowance, Incentive, Non Practicing, Hardship, Disability Allowances and medical cover costs.

The recurrent budget has not been sufficient to meet the salary obligations in full and there is a deficit of Kshs. 72 million annually for the Authority to meet the salary as per the SRC recommendations.

To address this challenge in the short term, the Authority, with funding from the National Treasury is undertaking a Voluntary Early Retirement Programme at a cost of Kshs. 309 million aimed at restructuring the workforce. This will involve offloading 300 non-core staff which will save Kshs. 88 million per year. Part of the savings will be used to recruit 60No. Technical and Executive staff and enhance salaries for the remaining staff to retain skilled manpower.

In the Long run the Authority will increase its revenue streams in order to enhance its internally generated revenue, making it financially independent from exchequer and capable of paying dividends to the National treasury within the next 4 years.

Challenges and proposed solutions

NO.	Description	Challenges	Way forward/Solutions
1	Management	i. Shortfall in recurrent vote (Kshs. 8m monthly in salary) that constraints funding provisions of statutory requirements ii. There is overall pending bill of Kshs. 34 million that need to be settled iii. Inadequate skilled staff and bloated workforce	i. Increase revenues from Kshs. 190 million in base year to Kshs. 300 million in the next 5 years. ii. Increased funding support by GOK iii. Implement VER that will offload 300 staff and recruit 60 technical staff. iv. Pay attractive salaries which can retain and attract high performing personnel from the market.
2	Project Implementation	i. Counterpart funding for Aror/Kimwarer Multipurpose Project ii. Inadequate funds to complete projects (Napuu, Lomut, Tot, Chepkum and Ptokou) iii. Inadequate technical/support skills iv. Insecurity	i. The National Treasury to provide Counter-part funds of Kshs. 6.3 billion for Aror/Kimwarer projects ii. Additional funding amounting to kshs 696 million for completion /expansion of these projects. iii. Recruit skilled staff and train the existing staff iv. Implement peace building initiatives in collaboration with other stakeholders.
3	Financial challenges	Inadequate funding and budget cuts in the last 3 years. The budget was reduced by Kshs. 100 million, Kshs. 79 million and Kshs. 123 million in 2015/16, 2016/17 and 2017/18 respectively.	Additional budgetary support amounting to Kshs 500 million from government/ development partners and seeking agreement for disbursement of total allocation once approved to avoid stalled projects.
4	Board Operations	Board is currently made up of 16 members. This number is high compared to industry best practice.	Review Board and limit number to at most 9 members as per Mwongozo Code of Conduct

