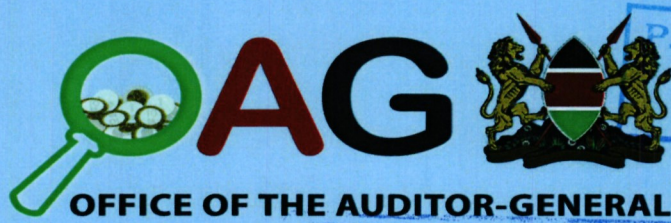


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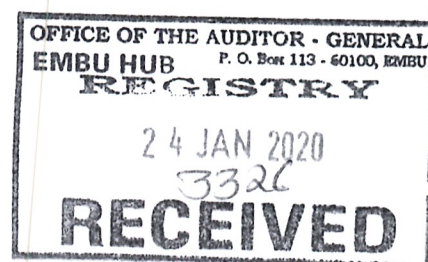
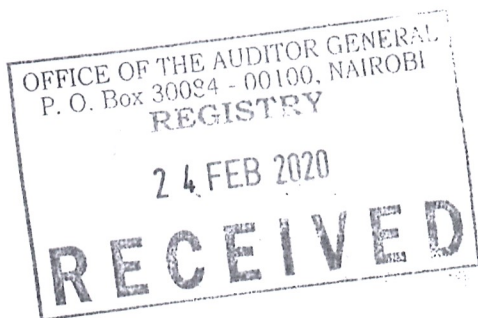
Mainah Wanjiku

THE AUDITOR-GENERAL

ON

**EWASO NG'IRO NORTH RIVER
DEVELOPMENT AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE, 2019**



EWASO NG'IRO NORTH RIVER DEVELOPMENT AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019**

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

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2019

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Ewaso Ng'iro North River Basin Development Authority (ENNRBDA) is a statutory body created through the ENNRBDA Act (Cap 448) of 1989. Inter alia, the mandate of ENNRBDA as specified in Cap 448 of 1989 is to promote economic development within the Ewaso Ng'iro River Basin.

(b) Principal Activities

The principal activity/mission of the Authority is to contribute to development in the Ewaso Ng'iro North River Basin area through promotion of agro-industry development, creation of employment, resource conservation, sustainable exploitation and management of natural resources, promotion of tourism and sustainable utilization of the environment to alleviate poverty and enhancement of food self-sufficiency.

(c) Key Management

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

- Board of Directors
- Managing Director
- Senior Managers

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

No	Designation	Name
1.	Ag. Managing Director	Mr. Josiah W Mulwa, HSC
2.	Planning & Special Programs Manager	Mr. John Mwaniki Njoka
3.	Finance Manager	Ms. Lucy W. Wamaru
4.	Chief Internal Auditor	Mr. Abdirizak M. Abdille
5.	Ag. Human Resource & Admin Manager	Ms. Esther K. Rimberia
6.	Senior Accountant	Ms. Fouzia Hared Abdi
7.	Procurement Officer	Ms. Fatuma Ali Jillo
8.	Regional Manager	Mr. Abdullahi Wario Mio
9.	Regional Manager	Mr. Ahmed A. Yussuf
10.	Regional Manager	Mr. Abdikadir Ali Mohamed
11.	Statistician	Mr. Kiptisia K. David
12.	Water Resource Officer	Mr. Diba Qalicha Boru
13.	Regional Manager	Mr. Ahmed M. Diriye

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(e) Fiduciary Oversight Arrangements

The audit risk management committee (ARMC) and the finance committee of the of the Authority's board provide overall fiduciary oversight on the activities of Ewaso Ng'iro North River Development Authority. The reports and recommendations of the audit committee and the finance committee when adopted by the board are forwarded to the management for implementation. Any other issues that require policy guidance are forwarded by the board to the Cabinet Secretary through the office of the Principal Secretary.

(f) Authority Headquarters

REGISTERED OFFICE: Ewaso Ng'iro North River Basin Development Authority
P.O. BOX 203, Fax 064 -5352507

ISIOLO.

TEL.064 – 5352002/5352507

Email:ewasonorth14@hotmail.com

(g) Authority Contacts:

Telephone: (254) 5352507

E-mail: ewasonorth14@hotmail.com

Website: www.ennda.go.ke

(h) Authority Bankers:

- 1) Barclays Bank of Kenya - Meru Branch
- 2) Consolidated Bank - Isiolo Branch
- 3) Kenya Commercial Bank - Isiolo Branch
- Meru Branch
- Nanyuki Branch
- Garissa Branch
- Mandera Branch
- Wajir Branch
- Marsabit Branch

(i) Independent Auditors

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

(j) Principal Legal Adviser

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




**Ewaso Ng'iro North River Development Authority
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II. THE BOARD OF DIRECTORS

The Board is composed of twenty six (26) members, with twelve of them being drawn from the private sector, twelve representatives from the public sector and an Executive Managing Director including the Chairman, who is non-executive is appointed by the President from the private sector, and serves for a maximum of two 3-year terms. The members of the Board who held office during the year are as follows:-

Director's passport-size photo and name	Director's date of birth, key qualifications and work experience
 <p>Mohamed Liban Chairman</p>	<p>He was born in 1961 and was appointed as the Chairman of the Board on 3rd May 2019.</p> <p>Qualifications: Masters of Public Health and Epidemiology from Kenyatta University in 2005 with Higher Diploma in Cataract Surgery (Intra-ocular lens implant Surgery), International Diploma in Community Eye Health from London University, Higher Diploma in Ophthalmology, Diploma in Clinical Medicine and Surgery, and Certificate in Refraction.</p> <p>Work Experience: Currently he is the Proprietor, Isiolo Vision Centre providing comprehensive eye care services. 2015 to 2017: Regional Elections Co-ordinator for Upper Eastern Region.(IEBC) 2011 to 2015: Regional Elections Co-ordinator for Upper North Eastern [Wajir and Mandera Region](IEBC) 2009 to 2011: Regional Elections Co-ordinator for Upper Eastern Region(IIEC) 2008 to 2009: Regional Manager for Upper Eastern Region for the Kenya Red Cross Society(KRCS) 1984 to 2007: Ministry of Health</p>
 <p>Josiah W. Mulwa, HSC Ag. Managing Director</p>	<p>Date of birth: 1961</p> <p>Qualifications: Master of Science in Agriculture engineering(Soil and Water Engineering)</p> <p>Work Experience: Nov. 2018 to date: Ag. Managing Director - Ewaso Ng'iro North Development Authority (ENNDA) 2013 to 2018: Chief Technical Services and Operations Manager, Ewaso Ng'iro North Development Authority (ENNDA) 2008-2013: Project Coordinator, Ewaso Ng'iro North Natural Resources Conservation Project (ENNNRCP) funded by the African Development Bank (AdfB). 2008-2009: Technical Services Manager, Ewaso Ng'iro North Development Authority(ENNDA) 2005-2008: Regional Coordinator Isiolo, Meru North and Meru Central Districts covered under ENNRCP 2000-2005: Senior Agricultural Officer/Engineer - Ewaso Ng'iro North Development Authority (ENNDA). 1994 to 2000: Agricultural Officer, Ewaso Ng'iro North Development Authority (ENNDA). 1991-1994: Masters of Science in Agricultural Engineering (Soil & Water</p>




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Director's passport-size photo and name	Director's date of birth, key qualifications and work experience
	<p>Engineering Student, University of Nairobi, Kenya. 1989 to 1991: District Irrigation Engineer, Taita/Taveta District, Ministry of Agriculture, Livestock Development & Marketing. 1988 to 1989: Agricultural Officer/Engineer, Provincial Irrigation Unit, Coast Province, Mombasa</p>
 <p>Paul Rushdie Russo Director and Chairman Finance & Administration Committee</p>	<p>Mr. Russo joined the Board on 8th February 2019.</p> <p>Qualifications: Paul holds a Bachelor of Arts (Business Management) (Hons) from Moi University, Kenya; a Higher Diploma in Human Resource Management from Institute of Human Resource Management, Kenya; and an MBA from Strathmore Business School, Strathmore University, Kenya</p> <p>Paul is currently the Managing Director, CEO and Executive Director at National Bank of Kenya. He has progressive Senior and Executive Human Resources Management experience with extensive involvement in enterprise service delivery, organizational design, human capital optimization, employee relations, people transformation and change. He has held national and regional roles in Kenya, Tanzania, South Africa and Africa Regional Management Offices. He has worked for Barclays, PricewaterhouseCoopers, K-Rep Bank, Unga Holdings Limited and East African Breweries Limited.</p> <p>He was also the Receiver Manager at Chase Bank Limited (In Receivership) on behalf of KCB Bank Kenya Limited.</p>
 <p>Abdalla Hassan Abdalla – Director</p>	<p>Mr. Abdalla was born in 1986 and joined the Board on 2nd October 2015. He was further re-appointed to the Board on 8th February 2019. He holds a Bachelor degree in Commerce (Procurement & Supply chain Mgt option). He has 10 years' experience in Civil Engineering Contractor, Entrepreneur & Civil Engineering Consultancy.</p>
 <p>Isaack Kara Boru – Director and</p>	<p>Mr. Isaack Kara was born in 1958 and joined the Board on 8th February 2019.</p> <p>Qualifications: Diploma in School Administration He has wide experience in public service for a period spanning over 37 years, this being his second appointment to the Board. He served in the same capacity from 1994-2000 in the ENNDA Board. 1992 to 2002: Executive Secretary KNUT(CO) Isiolo Branch</p> <p>He is currently the Chairman Practical Solutions (CBO)</p>

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Director's passport-size photo and name	Director's date of birth, key qualifications and work experience
<p>Chairman Audit Committee</p>  <p>Thomas Leremore - Director</p>	<p>Thomas Leremore joined the Board on 8th February 2019.</p> <p>Qualifications:</p> <ul style="list-style-type: none"> • MA in International Conflict Management, University of Nairobi, 2013 • BA in Political Science and Sociology, University of Nairobi, 2006 • Diploma in Natural Resource Management, University of Nairobi, 2002 <p>2018-Date: Currently serving as the Chief Executive Officer of Peace and Development Network (PeaceNet – Kenya). PeaceNet is a national network established to consolidate a broad based national coalition of peace actors (NGOs, CBOs, FBOs and Practitioners) in Kenya. PeaceNet has been the taskforce leader of the United Nation's Cluster for Early Recovery and Food Security and has continued membership in Education, Humanitarian, and Protection clusters.</p> <p>January 2018 -to date: Visiting lecture, Presbyterian University of East Africa</p> <p>2007-2010: Director, Peace and Justice Commission, Presbyterian Church of East Africa (PCEA).</p> <p>February 2016- to date: Director, Go Energy Limited. Go Energy is private limited Company dealing with import and export of petroleum products</p> <p>May 2010: On behalf of Japan Centre for Conflict Prevention, he undertook consultancy work on country profiles and security situation analysis in the Great Lake Region and Horn of Africa.</p> <p>7th – 25th June 2010: On behalf of the Japan Centre for Conflict Prevention, facilitated three training workshops for 20 community-based organizations in Nairobi, Naivasha and Nakuru on formation of peace agents to help in post-election resettlement.</p> <p>2009-2010: Reformed Church of America consultant for a one-year program sponsored by RCA on reconciliation in Rift valley province. The work involved bringing together communities that were involved in 2007/2008 post electoral violence in Eldoret, Kitale, Kericho, Molo and Kuresoi</p> <p>2013-2014: Undertook a one-year consultancy for the Evangelical Lutheran Church in Kenya and helped to establish peace department and peace programs for Evangelical Lutheran Church in Kenya</p>
 <p>Hon. Nasra Ibren Ibrahim-Director</p>	<p>Hon. Nasra Ibrahim joined the Board on 8th February 2019</p> <p>Qualifications</p> <p>2014-2015: United State international university-Africa Global Executive Masters in Business Administration (GeMBA) Nairobi, Kenya.</p> <p>2005-2007: Khartoum International Institute of Arabic language Masters in teaching Arabic language as a second language. Khartoum, Sudan.</p> <p>2004: International University of Africa Certificate in teaching – primary and secondary Levels. Khartoum, Sudan</p> <p>2001-2004: International University of Africa</p>

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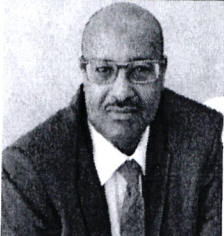



Director's passport-size photo and name	Director's date of birth, key qualifications and work experience
	<p>Bachelor of Education, Arabic language. Khartoum, Sudan.</p> <p>2001-2002: High institute of Islamic studies Diploma in Islamic studies. Khartoum, Sudan.</p> <p>2018 to date: Executive Director, Maragua Muslim girls secondary school.- Muranga county.</p> <p>2013 – 2017 : Member of the National Assembly (MP), Marsabit County.</p> <p>2010-2012: Principal (headmistress) Maragua Muslim Girls secondary school. Muranga – Kenya.</p> <p>2010: Deputy Principal. Maragua Muslim girls sec school Muranga-Kenya.</p>
 Ahmed Mohamed Abdi Ogle – Director	<p>Mohamed Ogle joined the Board on 8th February 2019.</p> <p>Qualifications: MBA(Project Management) from the University of Wales-UK He has vast experience in project planning and management, financial management, monitoring and evaluation and quality control. Currently he is the Project Manager at Ogle Construction Company.</p>
 Margaret Mumbi Mwago– Director	<p>Margaret Mumbi joined the Board on 8th February 2019.</p> <p>Qualifications: PhD Project Planning and Management-Ongoing at the University of Nairobi Master of Arts (Project Management) from the University of Nairobi She has led at the Policy making level in various institutions such as Athi Water Services Board, AMREF flying Doctors and has immense knowledge in developing Corporate strategy, Performance Management and executing projects. Currently she is a Board Director for Athi Water Services Board.</p>
 Farah Abdikadir Mohamed – Director	<p>Farah Abdikadir joined the Board on 8th February 2019.</p> <p>Qualifications Diploma in Community Development February 2011 – July 2011: Deport Administrative Manager, Hass Petroleum Uganda May 2010 – January 2011:Area Manager (Bunia and Ariwara), Hass Petroleum Eastern Congo, DRC January – November 2009: Logistics/Program Officer, Mercy Corps Somalia November 1995 – January 2009: Clerk, Al-Maaruf Company Limited</p>

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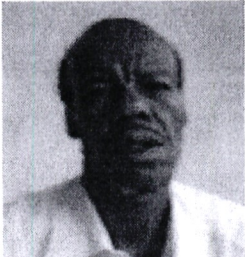



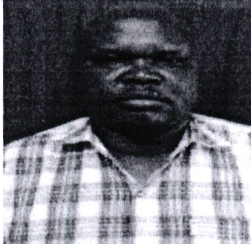

Director's passport-size photo and name	Director's date of birth, key qualifications and work experience
 <p>Christopher Ndegwa, HSC-Director</p>	<p>Christopher Ndegwa was born in 1958 and joined the Board on 8th February 2019.</p> <p>Qualifications: B.Ed-Science (Hon) from the University Of Nairobi. Current Status: Chairman- Board of Directors Yetu Sacco, Managing Director-Nkubu Heritage Hotel He has a long history in the public service spanning over 35 years.</p>
 <p>Ann Kaluki Oketch-Director</p>	<p>Ann Kaluki Oketch joined the Board on 8th February 2019.</p> <p>Qualifications: Sept 2016- Present Masters in Climate Change Adaptation University of Nairobi Sept 2008 – Nov 2012: BA (Hons) Maseno University Development Studies with IT July 2017- October 2017: Volunteer Pan African Climate Justice Alliance (PACJA) April 2015 –Feb 2017: Case Processing Assistant Church World Services (CWS) Resettlement Support Center (RSC) Africa Mar 2014 – Mar 2015: Project Support Officer Barclays Bank of Kenya May 2013 – Aug 2015: Volunteer Ex-Convicts Rehabilitation Center Sep 2013 – Oct 2013: Research Assistant Population Council (Kilifi County) Dec 2012 – Apr 2013: Project Assistant Ex-Convicts Rehabilitation Center (USAID)</p>
 <p>Ahmed Ibrahim Hajj-Director</p>	<p>Ahmed Hajj was born in 1968 and joined the Board on 8th February 2019.</p> <p>Qualifications: Bachelor of Commerce (Business Administration option) - (Second Class Honours) 2011 to 2016: General Manager, Pyramid Construction Company Ltd 2005 to 2011: Managing Director, Fast Trucks Limited 1995 to 2005: Commission Agent, SME (A Sole Proprietorship in the petroleum and transport industry)</p>
 <p>Robert Lemerketo-Director</p>	<p>Robert Lemerketo joined the Board on 8th February 2019.</p> <p>Qualifications: Master Of Business Administration- Kenya Methodist university Master Of Financial Services- Anamalai University Tamil Nadu India Successfully completed coursework in self-directed, self-paced learning environment. Bachelor Of Commerce- Jabalpur University India Jabalpur 2014 – 2017: Lecturer Marist International College 2011 – 2012: Nyayo House Headquarters 2006 - 2010: Immigration Office Jomo Kenyatta International Airport 2005 – 2006: Immigration office Suam Border point</p>

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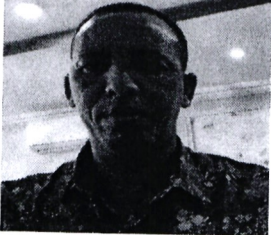
III. MANAGEMENT TEAM

	Manager's passport-size photo and name	Profession/academic qualifications and main area of Responsibility
1.	 Josiah W. Mulwa, HSC	Ag. Managing Director Manager -B.Sc (Agric. Eng.), M.Sc. (S & W/Eng.) Area of responsibility Managing the Affairs of the Authority
2.	 Lucy Wamaru	Finance Manager - BBA (Accounting option) Area of responsibility Finance Department
3.	 Abdirizak M. Abdille	Chief Internal Auditor -BCom, CPA II Area of responsibility Audit Section
4.	 Fatuma Ali Jillo	Procurement Officer - Bcom Finance Opt Area of responsibility Procurement Department
5.	 John N. Mwaniki	Planning & Special Programs Manager, MSc(, Reg. Dev. Planning) Area of responsibility Planning Department
6.	 Regional Manager - Bsc (Community Development), MA (Community Development)	Area of responsibility Upper Eastern Regional Office

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	Manager's passport-size photo and name	Profession/academic qualifications and main area of Responsibility
	Abdullahi Wario Mio	
7.	 Abdi Yussuf	Regional Manager - B.Sc. in Surveying Area of responsibility North Eastern Regional Office
8.	 Abdikadir Mohamed Ali	Regional Manager, BBA (Acct & Finance) option Area of responsibility Central Kenya Regional Office
9.	 Esther K. Rimberia	Ag. Administration & Human Resource Manager - B.Sc., Msc (Business Adm. & Project Mgt) Area of responsibility Administration & Human Resource Department
10.	 Fouzia Hared Abdi.	Senior Accountant- BBA (Accounting option) Area of responsibility Accounts Department
11.	 Kiptisia K. David	Statistician - B.Sc. (Statistics/Chem.) Area of responsibility Planning Department
12.	 Water Resource Officer-	Area of responsibility Technical Service Department

**Ewaso Ng'iro North River Development Authority
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	Manager's passport-size photo and name	Profession/academic qualifications and main area of Responsibility
	Diba Qalicha Boru	
13.	 Ahmed Diriye	Regional Manager Area of responsibility Garissa Desk office

IV. CHAIRMAN'S STATEMENT



Mohamed Liban
Chairman

“Improvement of service delivery at the Authority and reforms of the enabling Act will result to improved efficiency, increase in productivity and development coordination in the Ewaso Ng'iro North River Basin”

It gives me pleasure to present the Ewaso Ng'iro North River Basin Development Authority's Annual Report and Financial Statements on behalf of the Board of Directors for the year ended 30th June 2019. The Authority delivered few projects and programmes owing to limited funding during the year under review.

CORPORATE SOCIAL RESPONSIBILITY

As the Authority continues to achieve the set strategic objectives, it considers Corporate Social Responsibility as an integral part of its core values. The Authority cares for its staff, the communities around, and is sensitive to the environment in which it operates.

During the year 2018/2019, the Authority was involved in various Corporate Social Responsibility initiatives aimed at impacting positively on the lives of respective communities. The Authority's Corporate Social Responsibility activities focused on response to distress calls by undertaking water trucking in Isiolo, Marsabit, Wajir, Mandera, and Garissa counties. Supply of submersible pumps, construction and rehabilitation of water pans in some counties within the Basin and carrying out hydro geological surveys as well as drilling more than 27 boreholes for Nyandarua County in collaboration with the County Government of Nyandarua. Two water pans were also done in Mandera and Isiolo respectively.

FUTURE OUTLOOK

The Authority has been focusing on developments driven by key factors, major amongst them stakeholder participation, multi-sectoral and integrated projects and programmes and most importantly aligning all the projects and programmes to the Big Four Agenda. Value addition to available products for the improvement of the living standards of the Basin's communities which has been at the centre stage for service delivery by the Authority. Private Public Partnership (PPP) is viewed as the way forward for future growth of the Authority and the entire region. Development of large scale water reservoirs, exploration of solar and wind for development will be integral in projects to be implemented by the Authority.

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APPRECIATION

I take this opportunity to thank my colleagues in the Board for supporting me in providing leadership in the organization over the past year. Their commitment contributed immensely to our performance in the year just ended. I commend the Management and staff for working tirelessly to achieve the level of projects delivery experienced during the years. I am confident that they shall spare no effort to surpass the targets we have set for the new financial year and according to our 2018-2022 Draft Strategic Plan, being reviewed and guided by the Integrated Regional Development Plan 2010-2040 prepared by the Authority.

In conclusion, I thank our customers, the community and other business partners for supporting our organization in various ways. We are confident that with your support we shall make the Authority the leading agency in Regional Planning and Development.

Thanks and God Bless you.



Mohamed Liban.
CHAIRMAN

Ewaso Ng'iro North River Development Authority
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V. MANAGING DIRECTOR'S STATEMENT



Josiah W. Mulwa, HSC

“We continue to make remarkable strides in our quest to transform the lives of communities of Kenya generally and those of the ENNR Basin particularly”

I am delighted to present the Authority's Annual Review in line with our commitment in keeping our customers and other stakeholders aware of the Authority's performance and development, during the financial year that ended 30th June 2019.

The core activities of the Authority are planning, coordination, and implementation of integrated multi-sectoral projects and programmes based on its four main Programme areas of: Development of River banks, water bodies and catchment areas; Regional Development planning; Integrated Basin Based Development; and Community Empowerment & Support programmes. During the reporting period, the Authority had aligned its projects and programmes to the Big four and endeavoured to tapping opportunities for employment creation in the Manufacturing Sector through its Gum Arabic and Resins development project in Wajir, Planting of fruit trees in community farms for food and nutrition security, development of hygienic water supply structures for enhanced health of the communities and is expected to enhance these efforts in the coming years.

OPERATIONAL PERFORMANCE

Over the years, the Authority has been able to successfully carry out the following under the four core areas:

Development of River banks, water bodies and catchment areas, where 114,000 assorted tree seedlings and 50,000 fruit trees were planted in Ewaso North Ng'iro River catchment areas in Aberdares and Mt. Kenya water towers and river and riparian areas; 149.1ha of catchment and riparian areas were conserved and or Rehabilitated and a cumulative 30 km of riparian areas protected.

Community Empowerment and Support Programme during this period includes business plan for gums and Resins husbandry, involvement of communities (paid labour) in the construction of 3000m perimeter fence around the gums and Resins factory in Wajir, additionally, for community support and empowerment programme the Authority carried initiative such as trial production of the gums and Resin Processing factory where the authority purchased one (1) ton of gums and resins, and created employment to more than 300 beneficiary communities in the various stages of the project development. The Gums and Resins factory was 100 % fenced (3000 m), securing the factory and engagement of three guards to provide security to the plant. Under the Ewaso Ng'iro North Integrated catchment and riparian protection and rehabilitation, the Authority was able to procure 114,000 assorted tree seedlings and 50,000 fruit trees from Women , Youth and people living with disabilities groups and trained the same on planting and nurturing of the trees. In total, over 1,000 beneficiaries were directly involved and benefited.

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Investments

Though the Authority's development has been hampered by reduced funding and poor rainfall during the reporting year, nonetheless, The Authority has been able to undertake elaborate review of the guiding document: the strategic plan, and Human resources Management tools which provides the path ahead for development.

The Strategic Plan

During the year, the Authority continued implementing projects and programmes as planned in the Draft Strategic Plan 2018-2022 which is currently at its final stages of finalization. This revised draft of the strategic plan recognizes progressive changes and national transformation strategies that have been embedded in government policy documents and operations including the "Big Four" Agenda.

The Revised Strategic Plan focuses on high productivity and efficiency; modern infrastructure and facilitative projects that are aimed at transforming the Basin's communities living standards by alleviating poverty through retarding catchment degradation, provision of adequate water in both quantities and quality. It aligns all the Authority development projects to the 'Big Four' and thus envisages food security through promotion of affordable irrigation development, construction of a modern camel milk processing factory while provision of modern affordable housing through production of stabilizes soil bricks, and production of heavy clay building materials is anticipated. On the manufacturing sub-sector, the plan envisages operationalization of the Gums and Resins factory, implementation of the meat processing plant (abattoir) is prominent in the plan. The strategic plan therefore strives to put the Authority at the forefront in sustainable resources development across all sectors and subsectors, in line with vision 2030 goals.

Risk Management

We continue to work towards a strong risk management framework. This framework will enable among other things to identify and manage significant risks in our operations and constantly monitor the risk profile in relation to our operations

Service Delivery

In line with the Authority's core values of excellence, integrity, team work and social responsibility, the Authority operates in a corruption free environment where the respect of all, equitable development and delivery of community demanded projects and programmes. The outputs from Authority are made to ensure delivery of quality and competitive services that exceed customer expectations.

We have embraced on information technology as a way of enhancing efficiency in our service delivery, by computerizing the Authority payroll, Human resource records and regularly updating our GIS database among others. This has improved transparency, accountability and flow of financial transactions.

Safety, Health and Environment

The maintenance of appropriate firefighting equipment and other safety standards remains a key responsibility of all employees and the Authority is committed to the proactive management of safety risks associated with operations. Our objective is to identify, reduce and control material risks relating to fires, accidents or injuries to employees and customers. Both internal and out of office work environment is given due regard to ensure ergonomics on employees.

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Appreciation

I would like to thank our customers, our dedicated and talented staff, our service providers, the County Government's under the jurisdiction of the Authority and all other stakeholders for their contribution during the year. The collaborative efforts provided by CETRAD in data and information development, County Government of Nyandarua in joint water projects development cannot be left unmentioned. We express our thankfulness to them all among others. I look forward to their continued support as we strive to provide unparalleled services to the community and stakeholders of the Basin.


Josiah Willie Mulwa, HSC
Ag. MANAGING DIRECTOR.

Ewaso Ng'iro North River Development Authority
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VI. CORPORATE GOVERNANCE STATEMENT

The Board is committed to ensuring that the Authority is run in a professional, transparent, just and equitable manner so as to protect and enhance that the communities and our valued shareholders interest and value are satisfied with our service delivery. The principles and standards adhered to by the board have been developed with close reference to guidelines on corporate governance issued by the Centre for Corporate Governance, State Corporation Advisory Committee (SCAC), and the Government for Government State Corporations.

The Board Size, Composition and Independence

The Board consists of twenty-seven (27) directors out of whom thirteen (13) are independent non-executive directors including the Chairman, Ag.Executive Managing director and thirteen (13) Alternate directors representing various government institutions. The Board composition draws a good mix of skills, experience and proficiencies in various fields bringing together a broad array of leadership and management skills into the Authority.

The non-executive Directors and the alternate directors are independent of Management. Their role is to advise, constructively challenge and monitor the success of Management in delivering the agreed strategy within the risk appetite and control frame set by the board. They only involve themselves in giving guidance and direction to the Management.

Board Responsibility

The Board's principal duty is to promote the long term success of the Authority, and delivering sustainable value to the shareholder, the government and the major stakeholders, the community's resident in the area of the Authority's jurisdiction.

The Board Charter defines the governance parameters within which the board exists and operates, sets out specific responsibilities of the board, its committees and directors collectively, as well as certain roles and responsibilities incumbent upon directors as individuals.

A summary of the Board responsibilities are as follows:

- ❖ Providing sound entrepreneurial leadership to the Authority within a framework of prudent and effective controls which allow risk to be assessed and managed.
- ❖ Strategy formulation and ensuring that there are adequate policies, systems and structures to successfully implement the Authority's strategic plan.
- ❖ Monitoring the Authority performance against strategic plans and objectives on a going concern basis, as well as holding mandatory quarterly meetings.
- ❖ Selection, appointment and appraisal of Senior Managers.
- ❖ Approve the risk management framework and ensuring that there are adequate structures and systems to identify measure and monitor key risks facing the Authority.
- ❖ Reviewing the effectiveness of systems for monitoring and ensuring compliance with laws of the land, rules and regulations as promulgated by the government from time to time.
- ❖ Reviewing and monitoring the Port's corporate governances, policies and practices.
- ❖ Reviewing the Authority's finances to ensure that there are adequate funds for the planned implementation of projects and programmes to allow growth and expansion of Authority activities as envisaged in the Strategic plan, and the overall Authority's development port folio.
- ❖ Approval of among other things major capital expenditure, borrowings, budget, acquisition of land and other heavy capital Assets among others.

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Chairman and Managing Director

The roles of the Chairman of the Board and the Managing Director remain distinct and separate. The Chairman gives overall leadership to the Board without limiting the principles of collective responsibility for the Board decisions. The Managing Director is responsible to the Board and takes responsibility for the effective and efficient running of the Authority on day-to-day basis.

Board Remunerations

The non - Executive Board members are paid sitting allowances for every meeting attended, including travelling and accommodation allowance to and from the meeting to their home county. The chairman is also paid a monthly honorarium and telephone expenses as determined by the government from time to time.

Board and Strategy/Committee Meetings

The Board and its committees meet regularly in accordance with business requirements. All directors participate in discussing strategy, performance, financial and risk management of the Authority. Meetings of the board are structured to allow sufficient time for consideration of the matters to be discussed.

The board work plan together with the calendar (Almanac) of meetings for 2018/2019 were fixed in advance and provided to all the directors. Adequate notice was given for each meeting and the agenda and supporting papers were distributed in advance to all the board and committee members to allow time for appropriate review.

The board has ownership over the Authority's strategic direction. It regularly reviews reports on progress toward the target of the approved work plan, progress against financial objectives and projects and programmes development. The chairpersons of board committees report at each meeting of the board on the activities of the committee since the previous Board meeting. The board receives regular reports from the Managing Director on all matters related to the general running of the Organization, and particularly on projects completion rates, operations environment, strategy, challenges to projects and programmes implementation and budgetary releases and utilization as to gauge the general performance of the Authority.

The Board gets regular reports on the Authority risk appetite profile, top and emerging risks, risk management, liquidity, litigations, compliance and any emerging issues. Departmental heads and Regional Managers are regularly invited to attend board and committee meetings as required to make presentations that give directors an insight into specific technical business areas

Directors' External Activities and Conflict of Interest

Directors have a statutory duty to avoid situations in which they have interest which may conflict with the interest of the Authority.

Board Structure

The Board operates under a comprehensive structure made up of committees established to assist in discharging its responsibilities and obligations. These committees assist the board in carrying out its functions and ensuring that there is independent oversight of internal controls and risk management.

The Board has determined the purpose and the number of committees required to support it in carrying out its duties and responsibilities and in guiding Management. These committees have been

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established with specific terms of reference, which are continually reviewed and up dated. The appointment of members to these committees draws on the skills and experience of individual directors. The role played by board committees forms the principal point of contact between the Directors and Management.

The board committees are namely; Finance and Administration, Planning & Development and Audit Committees. The members of the respective committees are shown in this report.

All the committees have at least three (3) independent directors as members. The chair of the committees must be an Independent director. The chairman does not sit in any of the committees.

At every meeting of the full board the chair of each committee presents a report on its activities, decisions and recommendations of their respective committees since the date of the previous meeting for further consideration and approval where necessary.

Details of the committees are given below:

Finance and Administration Committee

The core functions of the Finance and Administration Committee shall be to ensure that the undertakings of the Authority are operated efficiently, according to sound Management principles in accordance with Finance Management Act 2012 and ENNDA Act CAP 448 of 1989 and reviewed in 2012.

The committee also is mandated to make reviews of the Human Resources policies and procedures and ensures that they support the strategy of the Authority. It ensures that the Authority maintains a policy of providing remuneration packages that fairly reward staff for their contribution to the operations of the Authority, whilst considering the need to attract, retain and motivate staff of the highest caliber. The committee also ensures successions plans are in place for senior managers of the Authority.

Planning and Development Committee

The Committee focuses on ensuring that productivity is maintained according to international standards. It also identifies obstacles that may hamper smooth operations and formulates policies on improvement of Authority performance in projects and programmes delivery.

A significant factor in the Authority's success is the strength of this Committee. Members of the committee bring together vital leadership, planning, monitoring, evaluation and development skills and extensive operational experiences from both local and international exposure. To harness their strength, the Managing Director has established the technical and operations committee. This committee meets regularly and at least quarterly to discuss strategy formulation and implementation, policy matters and financial performance of all ongoing projects and programmes. It is also responsible of ensuring compliance with the regulatory frame work and guideline and adherence to the Authority's policies and procedures. The committee also serves as the link between the board and management in terms of strategic planning, projects implementation and performance. The Managing Director has also nominated the head of technical services and operations including the Head of planning and special programs to this committee to support it in realization of its objectives. The committee may from time to time co-opt other departmental or section heads for some specialised information such a GIS and other development related matters including Information Technology among others.

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Audit Committee.

The committee plays a vital role in ensuring the integrity of financial statements prior to their review and approval by the board. To this end, the committee reviews the accounting policies financial reporting and regulatory compliance of the Authority. The committee also continually evaluates the effectiveness of risk management programs.

The committee receives reports of the Internal and External Auditors and management's corrective response to the findings. The committee also reviews the overall scope, annual plans for the internal audit function's activities and oversees the alignment of risk management programs and internal audit activities. The committee reviews all key internal audit reports and has regular direct access to the Head of Internal Audit

Membership of Board Committees

S/no	Name	Classification of Directors	Committees		
			Planning & Development	Finance & Administration	Audit
1.	Mohamed Liban	Independent/ Chairman	-	-	-
2.	Abdalla Hassan Abdalla	Independent		√	
3.	Margaret Mumbi Mwago	Independent	√		
4.	Robert Lemerketo	Independent	√		
5.	Farah Abdikadir Mohamed	Independent			√
6.	Thomas Leremore	Independent	√		
7.	Ahmed Ibrahim Hajj	Independent	Chairman	√	
8.	Isaack Kara Boru	Independent		√	Chairman
9.	Ann Kaluki Oketch	Independent	√		
10.	Hon. Nasra Ibrahim Ibren	Independent			
11.	Paul Rushdie Russo	Independent		Chairman	
12.	Christopher Ndegwa	Independent			
13.	Ahmed Mohamed Abdi Ogle	Independent			
14.	Josiah W. Mulwa	Ag. Managing Director	√	√	-
15.	Maina Kiondo	Alternate			√
16.	Eng. Richard Kanui	Alternate		√	
17.	Joseph Onyango	Alternate			√
18.	Francis Muteti	Alternate		√	
19.	Mrs Lornah Odera	Alternate		√	
20.	Mr. Dan K. Marangu	Alternate		√	
21.	Mr. Daniel Nyamiti	Alternate	√		
22.	Mr. Parnwell Gitongah	Alternate	√		
23.	Mr. Mohamed Khalif	Alternate			√
24.	Eng. Stephen Githinji	Alternate			
25.	Joseph Kanyiri	Alternate			√
26.	Mr. Gerald Mwangi	Alternate	√		

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VII. MANAGEMENT DISCUSSION AND ANALYSIS



“We have continued to make remarkable strides in our quest to transform the lives of communities of the ENNR Basin particularly and Kenya generally”

I am delighted to present the Authority’s Management Discussion and Analysis of performance for the year under review in line with our commitment in keeping our customers, the Shareholders (Government) and other stakeholders aware of the Authority’s performance and development, during the financial year ended 30th June 2019.

Josiah Willie Mulwa, HSC
Ag. Managing Director/Chief Executive Officer

The core activities of the Authority are planning, coordination, and implementation of integrated multi-sectoral projects and programmes based on its four main Programme areas of: Development of River banks, water bodies and catchment areas; Regional Development planning; Integrated Basin Based Development; and Community Empowerment and Support Programme.

OPERATIONAL PERFORMANCE

During the Year under Review, the Authority embarked on two (2) Projects, namely *Ewaso Ng'iro North Integrated Catchment Conservation and riparian protection and rehabilitation Project, Gums and Resins Development Programme*. The Authority has been able to successfully carry out the following activities under the three Programme/Project areas:

a) Ewaso Ng'iro North Integrated Catchment Conservation and riparian protection and rehabilitation Project.

Under this programme, 164,000 tree seedlings were planted comprising of 114,000 assorted tree seedlings and 50,000 fruit trees in Ewaso North Ng'iro River catchment areas in Aberdares and Mt. Kenya water towers and river and riparian areas; 149.1 ha of catchment and riparian areas conserved and or Rehabilitated and about 30km of riparian protected. Additionally, the Authority undertook reconnaissance visits to various counties in the upper part to identify sources of planting materials for bamboo shoots, groups producing bamboo shoots for propagation and areas where setting up of green houses will be done during project take off.

c) Gums and Resins processing Factory

Under this project, the Authority concentrated on completing the construction on processing line among the four proposed. It also embarked on trial testing of the gums and Resin Processing factory where it purchased two (2) tons of gums and resins, and created employment to more than 200 beneficiary communities in the various stages of the project development. Another remarkable achievement under this project is Securing of the Factory by fencing it where 3000 m of perimeter fence was done, a guard room, VIP toilets and a modern gate were successfully constructed.

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Investments

The Authority's development has been on track, with the following investment projects and programmes achieved during the year:

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Sources of funds
1	Ewaso Ng'iro North Integrated Catchment Conservation Project	1,500,000,000	210,000,000	14	180,000,000	Gok
2	Gums and Resins Development Programme	400,000,000	100,000,000	25	85,000,000	Gok

Risk Management

We continue to work towards a strong risk management framework. This framework will enable among other things to identify and manage significant risks in our operations and constantly monitor the risk profile in relation to our operations

Service Delivery

In line with our core values of excellence, integrity, team work and social responsibility, the Authority operates in a corruption free environment where the respect of all, equitable development and delivery of community demanded projects and programmes. The outputs from Authority are made to ensure delivery of quality and competitive services that exceed customer expectations.

We have embraced on information technology as a way of enhancing efficiency in our service delivery, by computerizing the Authority's payroll, Human resource records and regularly updating our GIS database among others. This has improved transparency, accountability and flow of financial transactions.

Safety, Health and Environment

The maintenance of appropriate firefighting equipment and other safety standards remains a key responsibility of all employees and the Authority is committed to the proactive management of safety risks associated with operations. Our objective is to identify, reduce and control material risks relating to fires, accidents or injuries to employees and customers. Both internal and out of office work environment is given due regard to ensure ergonomics on employees.

Appreciation

I take this opportunity to thank all our dedicated and talented staff of the Authority, our service providers, the County Governments under the jurisdiction of the Authority and all other stakeholders for their contribution during the year. Worthy of mentioning here is the Board of Directors for supporting me in providing leadership over the business in the year that has past. Their commitment contributed immensely to our performance in the year that has just ended. In particular, I want to commend the management staff for working tirelessly to achieve the level of project implementation that we witnessed during the year despite the myriads challenges that the organization faced. I am confident that they shall spare no effort to attain and surpass the targets we have set for the new financial year and according to the strategic plan, now under review.

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In conclusion, I thank our customers, the community and other business partners for supporting our business in various ways. We are confident that with your support we shall make the Authority a leading organization in provision of integrated, sustainable development for the welfare of all living in the Ewaso Ng'iro North River Basin. I sincerely pay serious gratitude to the Chairman, the Board, and all Staff of ENNDA for their dedication towards achieving the successes and making the forward leaps that the organization has witnessed in the year, I thank you all.

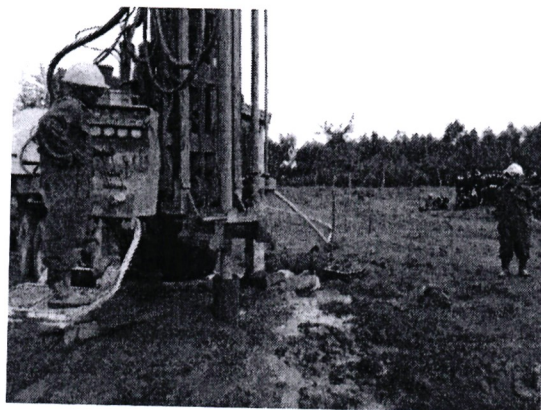
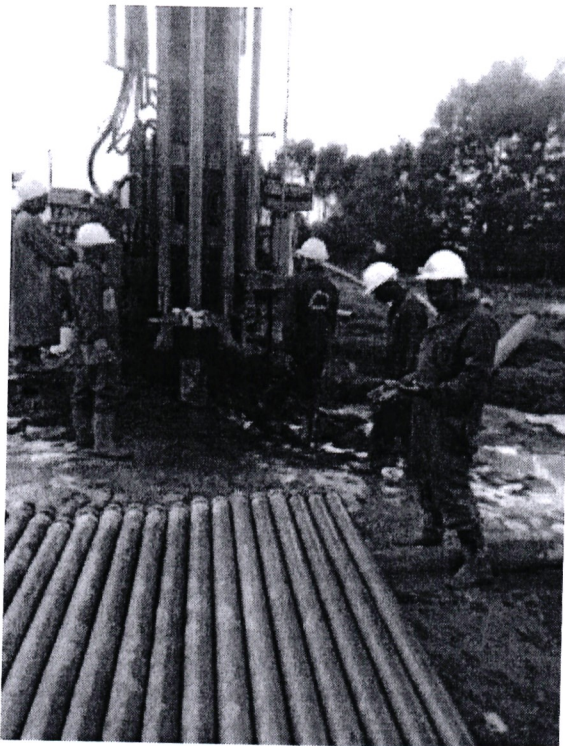


Josiah Willie Mulwa, HSC
Ag. MANAGING DIRECTOR

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

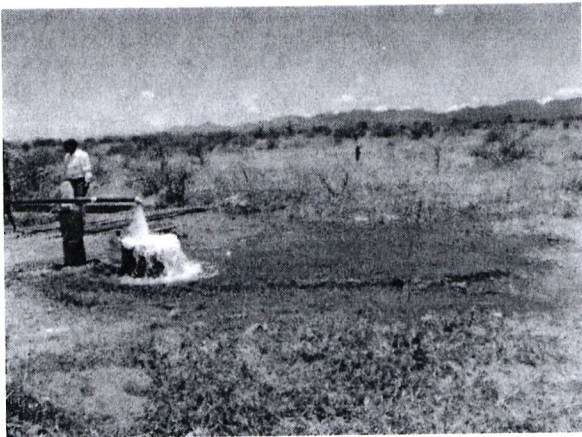
The Authority's Corporate Social Responsibility activities focused response to distress calls by undertaking water trucking in Isiolo, Marsabit, Wajir, Mandera, and Garissa counties. Supply of submersible pumps, construction and rehabilitation of water pans in some counties within the Basin and carrying out hydrogeological surveys as well as drilling more than 27 borholes for Nyandarua County in collaboration with the County Government of Nyandarua.

Photo of Borehole drilling



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Photos of distribution of Submersible Hand Pumps



Water Trucking Exercise within the Basin



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SUSTAINABILITY STATEMENT

Health and Safety at Work

The maintenance of appropriate health and safety standards remains a key responsibility of all employees and ENNDA is committed to proactively managing all health and safety risks associated with operations. Our objective is to identify, reduce and control materials risks relating to fires, accidents or injuries to employees and customers.

It is the policy of the Authority to provide working conditions which ensure health and safety of all the employees. The Authority ensures that the policy is carried out and at the same time all members of staff are made aware of their individual responsibilities for their own health and safety, that of their colleagues, customers and any other persons who may be affected by their activities at work.

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IX. REPORT OF THE DIRECTORS

The Director's hereby submit their report with the financial statements for the year ended 30th June 2019.

Principal activities

The principal activities of the Authority are:-

(1) Development Planning and Coordination

- 1) To plan for the development and initiate project activities identified from such planning in the area through the government generally;
- 2) To develop an up-to-date long range development plan for the area.
- 3) To coordinate working studies of schemes within the area such that human, water, animal, and land and other resources are utilized to the best advantage and to monitor the design and execution of planned projects within the area;
- 4) To coordinate the present abstraction and use of natural resources, especially water within the area and set-up an effective monitoring of abstraction and usage;
- 5) To ensure that landowners in the area undertake all the measures to protect water and soils of the areas;
- 6) To maintain a liaison between the government, the private sector and other interested agencies in the matter of the development of the area with a view to limiting the duplication of effort and to ensuring the best use of the available technical resources.

(2) Generation of Strategic Data and Information

- 1) Initiate study, carry out surveys, initiate, operate and implement projects as may be considered necessary by the government or the Authority to assess alternative demands within the area on the natural resources thereof, and to initiate, operate or implement such projects as may be necessary to exploit those natural resources including agriculture (both irrigated and rain fed), forestry, wildlife and tourism industries, electric power generation, mining and fishing and to recommend economic priorities.
- 2) To identify, collect, collate and correlate all such data related to the use of the water and other resources and also economic and related activities within the areas as may be necessary for the efficient forward planning of the area;
- 3) To consider all aspects of the development of the area and its effects on the rivers inflow and outflow.

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(3) Monitoring, Evaluation and Implementation of Projects

- 1) To effect a program of both monitoring and evaluation performance of the projects within the area so as to improve such performance and establish responsibility thereof, and to improve future planning.
- 2) To cause and effect the construction of any works deemed necessary for the protection and utilization of water and soil in the area;

To examine the hydrological and ecological effects of development programmers and evaluate how they affect the economic activities of the person dependent on river environment.

Results

The results of the entity for the year ended June 30, 2019 are set out on page two (Balance Sheet page).

Directors

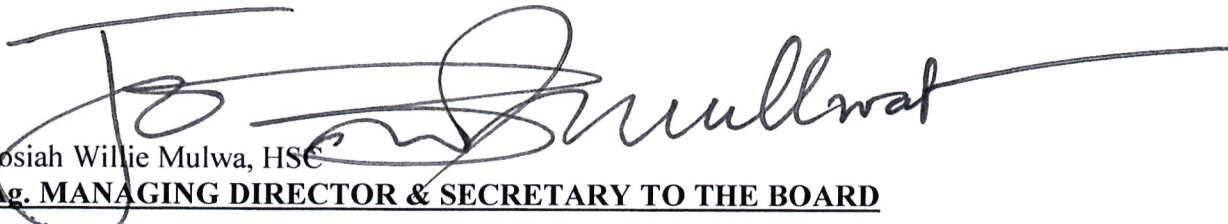
The Board of Directors who held office during the year is shown on pages iv to vi. In accordance with the ENNDA Act CAP 448, 'the Chairman and members of the Board, other than unofficial members shall hold office for a period of three years from the date of appointment but shall be eligible for re-appointment for one further term of a period not exceeding three years.'

During the year all the board members except one, Director Hassan Abdalla Hassan, were newly appointed, including the Chairman.

Auditors

The Auditor General is responsible for the statutory audit of the Authority in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By order of the Board,


Josiah Willie Mulwa, HSE
Ag. MANAGING DIRECTOR & SECRETARY TO THE BOARD

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X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

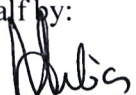
The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Ewaso Ng'iro North River Basin Development Authority Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2019, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

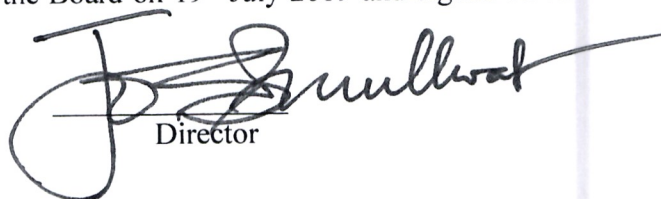
Nothing has come to the attention of the Directors to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Authority's financial statements were approved by the Board on 19th July 2019 and signed on its behalf by:



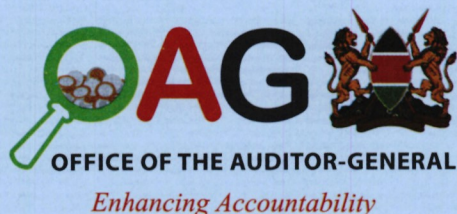
Chairman BOD



Director

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
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Anniversary Towers
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON EWASO NG'IRO NORTH RIVER DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Ewaso Ng'iro North River Development Authority set out on pages 31 to 72, which comprise the statement of financial position as at 30 June 2019, and the statement of financial performance, statement of cash flows, statement of changes in net assets 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 Ewaso Ng'iro North River Development Authority as at 30 June 2019, 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 Ewaso Ng'iro North River Development Authority Act, Cap 448 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Inaccuracies in the Financial Statements

1.1 Statement of Changes in Net Assets

The statement of changes in net assets for the year ended 30 June, 2019 reflects a balance of Kshs.1,716,938 in respect to stale cheques. No explanation was provided on why the balance is included in the statement contrary to Paragraph 94(f) of the International Public Sector Accounting Standards (IPSAS) 1 which states that the components of net assets/equity are disaggregated into contributed capital, accumulated surplus and deficits and any reserves.

Under the circumstances, the accuracy of the statement of changes in net assets for year ended 30 June, 2019 could not be confirmed.

1.2 Statement of Cash Flows

The statement of cash flows reflects a balance of Kshs.1,868,438 in respect of sale of idle assets during the year ended 30 June, 2019. However, the statement of financial performance does not reflect an income or loss on sale of the idle assets. Further, the schedule of property, plant and equipment does not reflect any sale of idle assets during the year under review. In addition, no documentary evidence in support of the sale of idle assets was provided for audit review.

Consequently, the accuracy of the statement of cash flows for year ended 30 June, 2019 could not be confirmed.

2.0 Property, Plant and Equipment

As disclosed in Note 14 to the financial statements, the statement of financial position reflects a balance of Kshs.258,288,544 under property, plant and equipment as at 30 June, 2019. As reported in the previous year, the Authority was allocated three (3) parcels of land measuring 3.75 hectares and a ten (10) acre piece of land along Isiolo Archers road. Available information indicates that the Authority applied for registration of the three parcels of land on 24 October, 2008 but the outcome of the application for registration and ownership documents for the three parcels of land were not provided for audit review. Further no explanation was provided on why the Authority did not apply for the registration of the ten (10) acre piece of land. In addition, both the three (3) parcels of land and the ten (10) acre piece of land are excluded from the property, plant and equipment balance of Kshs.258,288,544 as at 30 June, 2019.

Under the circumstances, the accuracy, completeness, ownership and fair statement of the property, plant and equipment balance of Kshs.258,288,544 as at 30 June, 2019 could not be confirmed.

3.0 Trade Creditors and Other Payables

The statement of financial position reflects a balance of Kshs.282,465,509 under trade creditors and other payables as at 30 June, 2019. However, creditor's ledgers and registers in support of the balance were not provided for audit review. Further, the trade creditors and other payables balance of Kshs.283,233,508 includes an amount of Kshs.1,392,000 being audit fees for six (6) financial years from 2013/2014 to 2018/2019. In addition, no explanation was provided for failure to clear the long outstanding debts, some of which related to the financial year 2010/2011 and earlier years.

Under the circumstances, the accuracy and completeness of the trade creditors and other payables balance of Kshs.282,465,508 as at 30 June, 2019 could not be confirmed.

4.0 Going Concern Uncertainty

During the year under review, the Authority reported a surplus of Kshs.6,117,716 compared to a surplus of Kshs.60,048,476 for the year ended 30 June, 2018. Further, the current liabilities balance of Kshs.282,465,579 exceeded the current assets balance of Kshs.56,873,129 resulting in a negative working capital of Kshs.225,592,450 as at

30 June, 2019. The Authority is therefore technically insolvent and unable to meet its financial obligations as and when they fall due.

The financial statements have been prepared on a going concern basis on the assumption that it will continue to receive financial support from both the National Government, creditors and bankers. The material uncertainty relating to going concern has not been disclosed in the financial statements.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Ewaso Ng'iro North River Development Authority Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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. There were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis on Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects budgeted revenue and actual on comparable basis of Kshs.365,550,999 and Kshs.360,396,323 respectively resulting to a budget shortfall of Kshs.5,154,676. Similarly, the Authority spent a total of Kshs.317,764,992 against an approved budget of Kshs.333,506,668 resulting to an under-expenditure of Kshs.15,741,676. The underfunding and under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public. Further, the Authority's budget was unbalanced contrary to Regulation 33(c) of the Public Finance Management (National Government) Regulations, 2015 which states that the budget shall be balanced.

Under the circumstances, the Authority was in breach of the regulations.

2.0 Failure to Insure Fixed Assets

The statement of financial position reflects a balance of Kshs.258,288,544 under property, plant and equipment as at 30 June, 2019. However, the property, plant and equipment balance of Kshs.258,288,544 includes assets worth Kshs.237,866,090 which were not insured. This is contrary to Section 160(1) of the Public Procurement and Asset Disposal Act, 2015 which requires an Accounting Officer of a procuring entity to manage its inventory, assets and stores for the purpose of preventing wastage and loss, and continued utilization of supplies.

Under the circumstances, the Authority's assets are at risk in case of a calamity or damage affecting the fixed assets.

3.0 Irregular Procurement of Rental Offices

The statement of financial performance reflects an expenditure of Kshs.34,010,801 under administration expenses which, as disclosed in Note 4 to the financial statements, includes an amount of Kshs.738,500 in respect of rent and rates. However, the rental offices in Garissa and Marsabit towns were single sourced contrary to requirements of Section 103(2) (a) of the Public Procurement and Assets Disposal Act, 2015 which states that a procuring entity may use direct procurement if it is satisfied that the goods, works or services are available only from a particular supplier or contractor, or a particular supplier or contractor has exclusive rights in respect of the goods, works or services and that no reasonable alternative or substitute exists. Further, the monthly rent for the office in Garissa was increased in January, 2018 by Kshs.10,000 from Kshs.25,000 to Kshs.35,000 without prior valuation or documented justification resulting in an additional rent of Kshs.120,000 for the year ended 30 June, 2019.

under the circumstances, the Authority was in breach of the law and the propriety of Kshs.120,000 expenditure for the year ended 30 June, 2019 could not be confirmed.

4.0 Non-Compliance with the Gender Principle and Lack of Regional Balancing in Employment

Review of personnel records indicated that the Authority had a total staff establishment of two hundred and five (205) employees comprised of one hundred and forty-seven (147) males (72%) and fifty-eight (58) females (28%) of the total staff. Further, the Authority's Board of Directors had fourteen (14) Members comprised of eleven (11) males (79%) and three (3) females (21%). The Authority was in breach Article 27(8) of the Constitution of Kenya 2010 which states that Government entities should take legislative and other measures to implement the principle that not more than two-thirds of the members of elective or appointive bodies should be of the same gender.

Further, eighty-one (81) members of staff or 40% were from the dominant community contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which states that no public establishment should have more than one third of its staff from the same ethnic community.

5.0 Lack of an Approved Staff Establishment

During the year under review, the Authority did not have an approved staff establishment that indicates the number of employees required under each category. It was therefore not possible to ascertain how the optimum number of employees required to discharge services was determined. This is contrary to the Human Resource Policies and Procedures Manual which states that all appointments should be within the approved staff establishment.

The Authority was therefore in breach of the policies.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and the Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue 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 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 the Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships

and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

16 December, 2021

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2019

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2019

	Notes	2018-2019	2017-2018
		Kshs	Kshs
Revenue from non- exchange transactions			
Income from the government grant	1	339,535,887.25	333,222,674
Total Income from the government grant		339,535,887	333,222,674
Revenue from non- exchange transactions			
Rendering of Services-A in A	2	9,845,324.00	4,868,000
Total Rendering of Services-A in A		9,845,324	4,868,000
TOTAL REVENUE		349,381,211	338,090,674
Expenses			
Staff Costs	3	151,379,040.00	143,725,569
Administration Expenses	4	34,010,800.67	25,931,908
Board Expenses	5	16,147,847.21	4,494,434
Depreciation -Provision for the Year	6	24,986,503.80	29,423,407
Development	7	116,227,304.00	81,540,381
Audit Fees	8	232,000.00	232,000
Total Expenses		342,983,496	285,347,698
Surplus Before Other Incomes		6,397,716	52,742,976
Other Gains /(Losses)			
Gain/Loss on Biological Assets		280,000.00	7,305,500
Surplus/Deficit for the period		6,117,716	60,048,476

LAWSONG IN NORTH RIVER DEVELOPMENT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2019

XII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

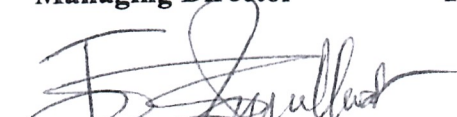
	Notes	2018-2019	2017-2018
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalent	9	56,748,129	24,273,850
Stock /Inventories	10	125,000	125,000
Total Current Assets		56,873,129	24,398,850
Non -Current Assets			
Biological Assets	11	8,090,000	8,370,000
Property Plant and Equipment	14	258,288,544	283,426,548
Total Non -Current Assets		266,378,544	291,796,548
Total Assets		323,251,673	316,195,398
Liabilities			
current Liabilities			
Trade Creditors and Other Payables	12	282,465,509	283,233,508
Bank Overdraft	13	70	10,449
Total Liabilities		282,465,579	283,243,957
Net Assets			
Accumulates Funds		24,026,095	16,191,441
Capital Reserves		16,760,000	16,760,000
Total Accumulates Funds and Capital Reserves		40,786,095	32,951,441
Total Net Assets and Liabilities		323,251,673	316,195,398


The Financial Statements were signed on behalf of the Board of Directors by:

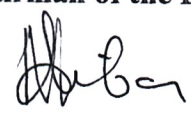
Managing Director

Head of Accounts

Chairman of the Board


 Date: 1st November 2019


 Date: 1st November 2019


 Date: 1st November 2019

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2019

XIII. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019

STATEMENT OF CHANGES IN NET ASSETS				
FOR THE YEAR ENDED 30TH JUNE 2019	ACCUMULATE	CAPITAL	ENNNRCP	TOTAL
	D	RESERVES		
	SUPLUS			
	Kshs	Kshs	Kshs	Kshs
Balance as at 30th June 2013	(899,218,830)	16,760,000	28,725,000	(853,733,830)
Surplus/(Deficit)for the period	138,900,768			138,900,768
Balance as at 30th June 2014	(760,318,062)	16,760,000	28,725,000	(714,833,062)
Surplus/(Deficit)for the period	830,653,053			830,653,053
Balance as at 30th June 2015	70,334,991	16,760,000	28,725,000	115,819,991
Surplus/(Deficit)for the period	(48,551,476)			(48,551,476)
Stale cheques	7,850,024			7,850,024
Balance as at 30th June 2016	29,633,539	16,760,000	28,725,000	75,118,539
Surplus/(Deficit)for the period	(102,215,573)			(102,215,573)
Balance as at 30th June 2017	(72,582,034)	16,760,000	28,725,000	(27,097,034)
Surplus/(Deficit)for the period	60,048,476			60,048,476
Balance as at 30th June 2018	(12,533,558)	16,760,000	28,725,000	32,951,442
Balance as at 30th June 2018	(12,533,559)	16,760,000	28,725,000	32,951,441
Surplus/(Deficit)for the period	6,117,716			6,117,716
Stale cheques	1,716,938			1,716,938
Balance as at 30th June 2019	(4,698,905)	16,760,000	28,725,000	40,786,095

EWASO NG'IRO NORTH RIVER DEVELOPMENT AUTHORITY
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XIV. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2018-2019	2017-2018
		Kshs	Kshs
Cashflows from operating activities			
Receipts			
Surplus/Deficit during the year		6,117,716	60,048,476
Add			
Depreciation		24,986,504	29,423,407
Less			
Provision of disposal			
Working Capital Adjustments			
Less; (Increase)/Decrease in Biological Asset		280,000	(7,305,500)
Less; (Increase)/Decrease in Asset			
Less; (Increase)/Decrease in Inventory		-	13,250
Less; (decrease)/Increase in creditors		(768,000)	(59,771,398)
Net cashflows from Operating Activities		30,616,219	22,408,234
Net cashflows Used in Investing Activities			
Current Assets			
Bank Overdraft		(10,379)	(146,847)
Sale of idle assets		1,868,438	
Net Increase/Decrease in Cash and Cash Equivalent		32,474,278	22,261,387
Cash and Cash Equivalent as at 1st July		24,273,850	2,012,463
Cash and Cash Equivalent as at 30th June 2019		56,748,129	24,273,850

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2019

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2019

Income	Original Budget	Supplementary	Final Budget	Actual	Variance
	Kshs	Kshs	Kshs	Kshs	Kshs
Recurrent Grant	193,879,281	-	193,879,281	193,879,281	-
Development	265,000,000	(132,500,000)	132,500,000	132,500,000	-
Appropriation in Aid	15,000,000		15,000,000	9,845,324	5,154,676
Balance Carried Forward	24,171,718		24,171,718	24,171,718	-
TOTAL	498,050,999	(132,500,000)	365,550,999	360,396,323	5,154,676
Personal Emolument					
Basic Salaries	86,653,645		86,653,645	86,383,579	270,066
House Allowance	12,743,954		12,743,954	12,690,400	53,554
Hardship Allowance	19,710,000		19,710,000	19,614,150	95,850
Commuter Allowance	9,514,000		9,514,000	9,475,000	39,000
Medical Allowance	8,000,000		8,000,000	7,842,200	157,800
Other Personal Allowance	3,550,000		3,550,000	3,938,063	(388,063)
Casual Wages	4,000,000		4,000,000	3,110,898	889,102
Gratuity and Pension	8,959,440		8,959,440	8,324,750	634,690
Board Allowance and expenses					
Board allowances	12,000,000		12,000,000	15,347,847	(3,347,847)
Chairman Honoraria	1,020,000		1,020,000	800,000	220,000
Contracted Services					
Outsourced legal services	800,000		800,000	504,000	296,000
Medical Insurance	8,000,000		8,000,000	7,300,000	700,000
Assets and Insurances	1,000,000		1,000,000	692,376	307,624
Expenses on operations relating to core mandate					
Internet and Postal	220,000		220,000	501,356	(281,356)

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2019

Income	Original Budget	Supplementary	Final Budget	Actual	Variance
	Kshs	Kshs	Kshs	Kshs	Kshs
Advertising and publicity	500,000		500,000	226,014	273,986
Administrative expenses					
Motor vehicle operations	7,146,600		7,146,600	8,127,517	(980,917)
Travelling & Accommodation	12,000,000		12,000,000	11,826,134	173,866
Office stationeries	1,300,000		1,300,000	2,089,684	(789,684)
Electricity water conservancy	513,582		513,582	515,051	(1,469)
Tea and conference	200,000		200,000	159,160	40,840
Training and seminars	1,000,000		1,000,000	891,990	108,010
Rent and rates	800,000		800,000	738,500	61,500
Publishing and printing	340,000		340,000	-	340,000
Audit fee	300,000		300,000	-	300,000
Bank charges	300,000		300,000	196,049	103,951
Repairs and Maintenance					
Motor vehicles / machineries	298,000		298,000	242,970	55,030
Computers and other equipments	137,447		137,447	-	137,447
Total Recurrent	201,006,668	-	201,006,668	201,537,688	(531,020)
DEVELOPMENT					-
Gum Arabic And Gum Resins Integrated Development	85,000,000	(42,500,000)	42,500,000	33,387,600	9,112,400
Catchment Conservation and Construction of Small Integrated Water Storage and Irrigation Schemes	180,000,000	(90,000,000)	90,000,000	82,839,704	7,160,296
Total Development	265,000,000	(132,500,000)	132,500,000	116,227,304	16,272,696
Grand Total	466,006,668	(132,500,000)	333,506,688	317,764,992	15,741,676

- i. Recurrent Grants: Some of the 2017/2018 grants were received in July 2018/2019.*
- ii. Development Grant : The under expenditure was due to budget cuts during the second supplementary budget.*

XVI. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Ewaso Ng'iro North River Development Authority is established by and derives its authority and accountability from Ewaso Ng'iro North River Development Authority Act (Cap 448) of 1989. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to promote economic development within the Ewaso Ng'iro River Basin Development Authority.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the Authority's accounting policies.

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

- i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019**

Ewaso Ng'iro North River Development Authority
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For the year ended June 30, 2019

Standard	Impact
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

- ii. **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019.**

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non exchange transactions which are covered purely under Public Sector combinations as amalgamations.

- iii. **Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2018.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

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

Transfers from other government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

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

Interest income

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established.

Rental income

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

b) Budget information

The original budget for FY 2018-2019 was approved by the National Assembly on 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section XV of these financial statements.

c) Taxes

Current income tax

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

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.

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its costs 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.

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) Intangible assets

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

The useful life of the intangible assets is assessed as either finite or indefinite.

i) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

h) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets 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 interest 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 interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest 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 interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or a entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

h) Financial instruments (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

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 interest rate.

i) Inventories

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

j) Provisions

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 will be 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.

Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

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

l) 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.

m) Employee benefits

Retirement benefit plans

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

n) Foreign currency transactions

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

o) Borrowing costs

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

p) Related parties

The 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.

q) Service concession arrangements

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

r) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

s) Comparative figures

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

5. 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

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.

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

Provisions

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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u) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

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NOTES TO THE FINANCIAL STATEMENT CONTINUED

		2018-2019	2017-2018
		Kshs	Kshs
	Revenue From Non-exchange Transactions		
1	Grant From National Government		
	Recurrent Government Grant	207,035,887	254,722,674
	Development Government Grant	132,500,000	78,500,000
	TOTAL	339,535,887	333,222,674
2	Revenue From Exchange Transactions		
	A in A	9,845,324	4,868,000
	TOTAL	9,845,324	4,868,000
3	Staff Cost		
	Basic Salaries	86,383,579	77,293,912
	Hardship Allowance	19,614,150	18,379,000
	House Allowance	12,690,400	11,855,300
	Medical Allowance	7,842,200	7,137,600
	Commuter Allowance	9,475,000	8,354,858
	Other Personal Allowance	3,938,063	3,332,474
	Casual Wages	3,110,898	9,006,109
	Gratuity and Pension	8,324,750	8,366,316
	TOTAL	151,379,040	143,725,569
4	Administration Expenses		
	Medical Exgratia		45,000
	Medical Insurance	7,300,000	5,683,451
	Travelling and accommodation	11,826,134	7,751,558
	Motor vehicle operations	8,127,517	1,717,692
	Training and seminar	891,990	94,625
	Internet and postal	501,356	191,942
	Electricity and water conservancy	515,051	349,828

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	Advertising and publicity		226,014	1,167,464
	Office stationeries		2,089,684	-
	Rent and rates		738,500	510,000
	Repair and maintenance		242,970	-
	Asset Insurance		692,376	-
	Tea and conferences		159,160	-
	Outsourced legal services		504,000	7,894,761
	Bank Charges		196,049	525,587
	TOTAL		34,010,801	25,931,908
5	Board Expenses			
	Board allowances and expenses		15,347,847	3,534,434
	Chairman Honoraria		800,000	960,000
	TOTAL		16,147,847	4,494,434
6	Depreciation			
	Building		3,495,365	3,584,990
	Plant and Machinery		12,961,283	14,812,895
	Motor Vehicles		6,925,318	9,166,424
	Computers		88,692	126,703
	Furniture and Fittings		1,515,845	1,732,395
	TOTAL		24,986,504	29,423,407
7	DEVELOPMENT			
	Gum Arabic And Gum Resins Integrated Development		33,037,600.00	22,466,233
	Catchment Conservation and Construction of Small Integrated Water Storage and Irrigation Schemes		83,189,704.00	4,187,212
	Drought mitigation			27,125,627
	ENNDA Integrated water, drought and food security programme			19,539,204

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	Northern Kenya Integrated Camel Development programme			8,222,105
	TOTAL		116,227,304	81,540,381
8	Audit Fees Provision			
	Audit Fees Provision		232,000.00	232,000
9	Bank Balances		2018-2019	2017-2018
			Kshs	Kshs
	Savings Account-BBK Meru	0133548742	-	623
	Current Account - Consolidated Isiolo	101112000052	50,890,083	23,931,949
	Kenya Commercial Bank- Garissa office (Saving)	1107430755	88,407	88,407
	KKV Current Account -BBK Isiolo	421014515	463	
	ENNDA Enterprise Scheme-KCB	1142316661	5,768,336	239,769
	Regional Account Bank Balances			
	KCB -Garissa Regional Office	1108065856	340	1,405
	BCB- Archers Post	1123764859	500	2,247
	KCB- Madera Regional	11458660818	-	6,050
	Isiolo Regional	101112000000100	-	3,401
	TOTAL		56,748,129	24,273,850.43
10	Inventory			
	Wajir Office-600 Bricks		-	13,250
	Garissa Office- 2500 Bricks		125,000.00	125,000
	TOTAL		125,000.00	138,250
11	Biological Assets			
	Male (Bulls)	(23@110,000/-)	2,530,000.00	2,750,000
	Male (Steers)	(25@40,000/-)	1,000,000.00	280,000
	Female	(40@90,000/-)	3,600,000.00	4,680,000
	Female Calves	(32@30,000/-)	960,000.00	660,000
	TOTAL		8,090,000.00	8,370,000

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12	Trade Creditors			
	Paid Creditors		283,233,508.60	283,233,508.60
			- 1,000,000.00	
	Audit Fees		232,000.00	
	Unpaid Creditors		282,465,508.60	283,233,508.60
13	Bank Overdraft			
	KKV Current Account -BBK Isiolo	421014515		- 10,448.70
	KCB- Mander Regional	11458660818	- 70.00	

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. Property, plant and equipment									
	Non-current assets	Building	Plant and Machinery	Motor vehicles	Computers	Furn, Fittgs & Equip	Total		
Cost	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
1 July 2012 –GOK	17,952,694	290,893,246	215,529,735	4,076,000	24,540,139	552,991,814			
Additions & W.I.P.-GOK	142,004,000	-	-	-	3,880,000	145,884,000			
Disposals-GOK			(10,099,896)			(10,099,896)			
	159,956,694	290,893,246	205,429,839	4,076,000	28,420,139	688,775,918			
Cost ENNNRCP									
1-Jul-12	-	-	29,284,427	3,730,000	21,754,896	54,769,323			
Additions-ENNNRCP	-	-	29,284,427	-	21,754,896	54,769,323			
TOTAL VALUE	159,956,694	290,893,246	234,714,266	7,806,000	50,175,035	743,545,241			

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ACC. DEPRECIATION										
1 July 2013 –GOK	4,915,163	88,732,090	112,338,882	2,936,878	16,660,775					225,583,788
Charge for year- GOK	325,938	25,270,144	25,797,713	341,737	984,920					52,720,453
30-Jun-14	5,241,101	114,002,234	138,136,595	3,278,615	17,645,695					278,304,241
ACC. DEPRECIATION										
30 June 2013- ENNNRCP	-	-	25,228,030	3,110,089	10,425,434					38,763,553
Charge for year- ENNNRCP	-	-	1,014,099	185,973	1,416,183					2,616,255
TOTAL CUMM-2014	-	-	26,242,129	3,296,062	11,841,617					41,379,808
Total charge for the year	325,938	25,270,144	26,811,812	527,710	2,401,103					55,336,707
TOTAL ACC. DEPRECIATION										
N.B.V AT 30TH JUNE 2014-GOK	5,241,101	114,002,234	164,378,724	6,574,677	29,487,312					319,684,048
N.B.V AT 30TH JUNE 2014-ENNNRCP	154,715,593	176,891,012	67,293,244	797,385	10,774,444					410,471,678
N.B.V AT 30TH JUNE 2014-TOTAL	154,715,593	176,891,012	70,335,542	1,231,323	20,687,723					423,861,193

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ACC. DEPRECIATION									
1 July 2014 –GOK	5,241,101	114,002,234	138,136,595	3,278,615	17,645,695	278,304,241			
Charge for year- GOK	3,867,890	22,111,377	14,336,951	239,216	1,346,806	41,902,238			
Disposal depreciation	-	-	(9,945,442)	-	-	(9,945,442)			
30-Jun-15	9,108,991	136,113,611	142,528,104	3,517,831	18,992,501	310,261,036			
ACC. DEPRECIATION									
1 July 2014 –ENNNRCP	-	-	26,242,129	3,296,062	11,841,617	41,379,808			
Charge for year- ENNNRCP	-	-	760,575	130,181	1,239,160	2,129,916			
TOTAL ACCUM DEP 2015	-	-	27,002,704	3,426,243	13,080,777	43,509,724			
Total charge for the year-June 2015	3,867,890	22,111,377	15,097,525	369,397	2,585,965	44,032,154			
TOTAL ACC. DEPRECIATION	9,108,991	136,113,611	169,530,807	6,944,074	32,073,277	353,770,760			

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N.B.V AT 30TH JUNE 2015-GOK	150,847,703	154,779,636	62,901,736	558,170	9,427,639	378,514,884
N.B.V AT 30TH JUNE 2015-ENNNRCP	-	-	2,281,724	303,757	8,674,119	11,259,599
N.B.V AT 30TH JUNE 2015-TOTAL	150,847,703	154,779,636	65,183,460	861,927	18,101,758	389,774,483
ACC. DEPRECIATION						
1 July 2015 –GOK	9,108,991	136,113,611	199,019,871	10,240,136	43,914,894	398,397,502
Charge for year- GOK	3,771,193	19,347,455	15,725,434	167,451	1,178,455	40,189,987
30-Jun-16	12,880,183	155,461,065	214,745,305	10,407,587	45,093,349	438,587,489
ACC. DEPRECIATION						
1 July 2015 –ENNNRCP	-	-	27,002,704	3,426,243	13,080,777	43,509,724
Charge for year- ENNNRCP	-	-	570,431	91,127	1,084,265	1,745,823
30-Jun-16	-	-	27,573,134	3,517,370	14,165,042	45,255,547
TOTAL ACC. DEPRECIATION	12,880,183	155,461,065	242,318,439	13,924,957	59,258,391	483,843,036

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Total charge for the year-June 2016	3,771,193	19,347,455	16,295,865	258,578	2,262,720	41,935,810
N.B.V AT 30TH JUNE 2016-GOK	147,076,510	135,432,182	47,176,302	390,719	8,249,184	338,324,897
N.B.V AT 30TH JUNE 2016-ENNNRCP	-	-	1,711,293	212,630	7,589,854	9,513,776
N.B.V AT 30TH JUNE 2016-TOTAL	147,076,510	135,432,182	48,887,595	603,349	15,839,038	347,838,671
ACC. DEPRECIATION						
1 July 2016-GOK	12,880,183	155,461,065	214,745,305	10,407,587	45,093,349	438,587,489
Charge for year- GOK	3,676,913	16,929,023	11,794,076	117,216	1,031,148	33,548,375
30-Jun-16	16,557,096	172,390,088	226,539,381	10,524,803	46,124,497	472,135,864
ACC. DEPRECIATION						
1 July 2016 –ENNNRCP	-	-	27,430,527	3,490,032	14,029,509	44,950,068
Charge for year- ENNNRCP	-	-	427,823	63,789	948,732	1,440,344

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30-Jun-17	-	-	27,858,350	3,553,821	14,978,240	46,390,411
TOTAL ACC. DEPRECIATION	16,557,096	172,390,088	226,539,381	10,524,803	46,124,497	472,135,864
Total charge for the year-June 2017	3,676,913	16,929,023	12,221,899	181,005	1,979,880	34,988,718
N.B.V AT 30TH JUNE 2017-GOK	143,399,598	118,503,159	35,382,227	273,503	7,218,036	304,776,522
N.B.V AT 30TH JUNE 2017-ENNNRCP	-	-	1,283,469	148,841	6,641,122	8,073,433
N.B.V AT 30TH JUNE 2017-TOTAL	143,399,598	118,503,159	36,665,696	422,344	13,859,159	312,849,955
ACC. DEPRECIATION						
1 July 2017-GOK	16,557,096	172,390,088	226,539,381	10,524,803	46,124,497	472,135,864
Charge for year- GOK	3,584,990	14,812,895	8,845,557	82,051	902,255	28,227,747
30-Jun-17	20,142,086	187,202,983	235,384,937	10,606,854	47,026,751	500,363,611
ACC. DEPRECIATION						
1 July 2017 -ENNNRCP	-	-	27,858,350	3,553,821	14,978,240	46,390,411
Charge for year- ENNNRCP	-	-	320,867	44,652	830,140	1,195,660

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30-Jun-17		-	-	28,179,217	3,598,473	15,808,381	47,586,071
TOTAL ACC. DEPRECIATION		20,142,086	187,202,983	263,564,154	14,205,327	62,835,132	547,949,682
Total charge for the year-June 2018		3,584,990	14,812,895	9,166,424	126,703	1,732,395	29,423,407
N.B.V AT 30TH JUNE 2018-GOK		139,814,608	103,690,264	26,536,670	191,452	6,315,782	276,548,775
N.B.V AT 30TH JUNE 2018-ENNNRCP		-	-	962,602	104,189	5,810,982	6,877,773
N.B.V AT 30TH JUNE 2018-TOTAL		139,814,608	103,690,264	27,499,272	295,641	12,126,764	283,426,548
ACC. DEPRECIATION							
1 July 2018-GOK		16,143,169	150,841,327	169,904,535	7,367,362	40,358,935	384,615,328
Charge for year- GOK		3,495,365	12,961,283	6,634,167	57,436	789,473	23,937,724
Charge on disposal of motor vehicle				50,500			
Charge for year- GOK		3,495,365	12,961,283	6,684,667	57,436	789,473	23,988,224
ACC. DEPRECIATION							
1 July 2018 -ENNNRCP		-	-	962,602.10	104,188.31	5,810,981.85	6,877,772.27

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Charge for year- ENNNRCP	-	-	240,650.53	31,256.55	726,372.77	998,279.85
Total charge for the year-June 2019	3,495,365.19	12,961,283.00	6,925,317.99	88,692.25	1,515,845.47	24,986,503.90
N.B.V AT 30TH JUNE 2019-GOK	136,319,243	90,728,981	19,902,502	134,017	5,526,309	252,611,051
NBV FOR THE DISPOSAL OF MOTOR VEHICLES			(202,000)			
N.B.V AT 30TH JUNE 2019-ENNNRCP	-	-	721,951.58	72,931.76	5,084,609.08	5,879,492
N.B.V AT 30TH JUNE 2019-TOTAL	136,319,242.53	90,728,980.97	20,422,453.98	206,948.38	10,610,917.98	258,288,543.83

15. FINANCIAL RISK MANAGEMENT

The Authority's activities expose it to a variety of financial risks including credit and liquidity risks. The Authority's overall risk management policies are set out by the Board of Directors (BoD) and implemented by the Management and focus on the unpredictability of changes in Authority's environment and seek to minimise the potential adverse effects of such risks on the Authority's performance by setting acceptable levels of risk. The Authority's does not hedge any risks.

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

(i) Credit risk

The Authority has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from financial assets, and is managed on an Authority-wide basis. The Authority does not grade the credit quality of financial assets that are neither past due nor impaired.

Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Authority's management based on prior experience and their assessment of the current economic environment.

(ii) Liquidity risk management

Liquidity risk is the risk that the Authority will encounter difficulty in meeting obligations associated with financial liabilities. The Board has developed a risk management framework for the management of the Authority's short, medium and long-term liquidity requirements thereby ensuring that all financial liabilities are settled as they fall due.

The Authority manages liquidity risk by ensuring that all contracts and goods purchased are depended on the actual funds available before any commitment can be done. This ensures that liabilities on services and goods supplied will be settled promptly when they fall due.

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Authority on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Authority's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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The Authority's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the Authority's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The Authority's has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

b) Interest rate risk

Interest rate risk is the risk that the Authority's financial condition may be adversely affected as a result of changes in interest rate levels. The Authority's interest rate risk arises from bank deposits. This exposes the Authority to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Authority's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The Authority's analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

iv. Operational Risk Management

Operational risk is the risk of indirect loss arising from a wide variety of causes associated with the corporation's processes, personnel, technology and infrastructure, external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The corporation's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the corporation's reputation with overall cost effectiveness and to avoid any control procedures that restrict initiative and creativity in the corporation.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management in the corporation's departments. This responsibility is supported by the development of overall corporation standards for the management of operational risks in the following areas:

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. Related Party Balances

a) Nature of related party relationships

Entities and other parties related to the Authority include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

The entity is related to

- i) The National Government;
- ii) The Ministry of devolution;
- iii) Key management;
- iv) Board of directors;

b) Related party transactions

	2019	2018
	KSHS	KSHS
Transactions with related parties		
b) Grants from the Government		
Grants from National Govt	339,535,887	333,222,674
c) Expenses incurred on behalf of related party		
Payment of salaries and wages for	151,379,040	143,884,058
d) Key management compensation		
Directors emoluments	16,147,847	4,323,038
Total	507,062,774.45	481,429,770

- Requirements for appropriate segregation of duties, including the independent authorisation and approval of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced by the Authority, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and implementation of the proposed remedial solutions and actions;
- Development of contingency plans;
- Training and professional development for its staff;
- Adherence to ethical and business standards; and
- Review of compliance with corporation standards is reviewed on an ongoing basis by senior management and the internal audit department.

iv) Capital Risk Management

The corporation's objectives when managing capital are:

- To match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- To maintain financial strength to support business growth; and
- To safeguard the corporation's ability to continue as a going concern so that it can continue to carry out its mandate and provide requisite benefits the communities and all other relevant stakeholders.

The Authority has a number of sources of capital available to it and seeks to optimise its debt to equity structure in order to ensure that it can consistently maximise returns to Government. Capital adequacy is monitored regularly by the corporation's management and quarterly by the Board of Directors.

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XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2017-2018	Bank over draft	Provision of Bank statements showing the deductions from the bank	Managing Director	Resolved	
2017-2018	Unreconciled balance of Ksh 36,843,393 for recurrent and Ksh 28,000,000 for development both totalling to Kshs. 64,843,393	Not able to ascertain the accuracy of the Kshs. 333,222,674 National Government grants reflected in the final statements as at 30 th June 2018	Managing Director	Resolved	
2017-2018	Trade Creditors and other payables	The Authority has long outstanding creditors	Managing Director	Not Resolved Awaiting disbursement of funds from the National Treasury to clear the pending bills.	Request done to the National Treasury.
2017-2018	Property, Plant & Equipment	4.1 Failure to safeguard Assets 4.2 No ownership for the land	Managing Director	The Authority disposed some of the unserviceable	End of financial year 2019-2020

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	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2017-2018	Going Concern	The Authority has long outstanding creditors.	Managing Director	Not Resolved Awaiting release of funds from the government to pay the creditors.	Request done to the National Treasury. Through our Parent ministry
2017-2018	Administrative Expenses	6.1 Legal Fees, where the approved legal fees were exceeded by Kshs. 1,894,761 6.2 Unclear Payment for accident Damages	Managing Director	It had resulted from high volume of court cases not envisaged during the budget	Board to deliberate on it and approve

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Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2017-2018 Compensation of employees	The Authority staff cost	Human Resource Manager	The officer reported the event many months after the accident and hence the insurance company could not reimburse the Authority	End of 2018-2019
2017-2018 Construction, Supply, Installation, Testing and Commissioning	Explanation on why the factory has taken too long to operationalize	Managing Director	The Authority has deployed staff to the Gums and Resins factory and other project sites like tree planting, nurturing of planted trees and in various mechanization operations.	The Authority was able to complete one (1) line as opposed to four (4) lines envisaged End of 2019-2020

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	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	of Gums and Resins plant in Wajir District			due to low budgetary provisions. However, the one line completed cannot provide economical returns if operationalize. Once a send line is completed, the factory will be put into operation	
2017-2018	Budgetary Control and Performance	<p>1.1 Authority received Kshs, 50,000,000 no documents to show how the Authority received the grants and how they were utilized</p> <p>1.2 and unreconciled difference Of Kshs.38,139,861 resulting from comparison of actual expenditure of Kshs.285,347,699 against budget of Kshs. 323,487,560</p> <p>Compliance to a third rule</p>	Head of Accounts	Resolved Will ensure the budget is adhered to.	End of 2018-2019
2017-2018	Adherence to Regulations		Human Resource Manager	Not Resolved Working on modalities to resolve the matter by considering gender when employment becomes due.	In the coming years

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	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2017-2018	Adherence to Regulations	Failure to adhere to Ethnicity rule	Human Resource Manager	Not Resolved Since the promulgation of the constitution the Authority is continuing to adhere to the regulation.	In the coming years
2017-2018	Adherence to Regulations	Lack of Approved Staff Establishment	Human Resource Manager	The Authority has in collaboration with the Directorate of Human Resource in the Ministry and DPM worked on a draft which is complete and awaiting Board approval.	End of 2019-2020


Managing Director Date.....28/11/2019.....

Chairman of the Board Date.....21/11/2019.....

