

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

THE NATIONAL ASSEMBLY
PAPERS LAID

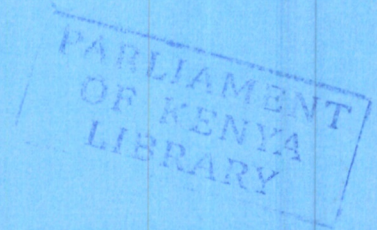
DATE: 31 JUL 2019

Day: Wednesday

TABLED BY: Hon. Benjamin Wadhvani

BY: Chaitanya Wadhvani

BY: Hadima Ahmed



REPORT

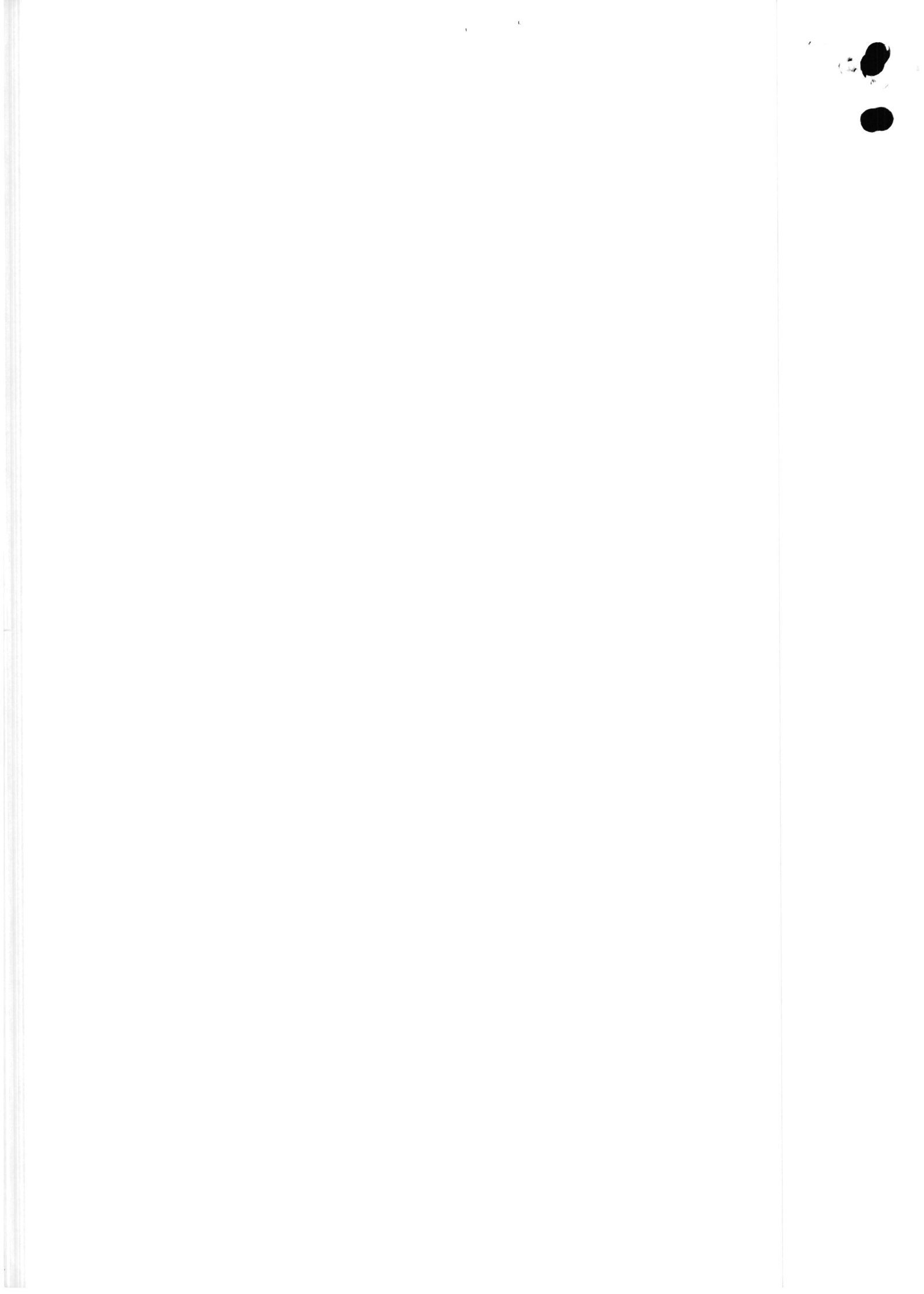
OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
EWASO NG'IRO SOUTH RIVER BASIN
DEVELOPMENT AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE 2018**





**EWASO NGIRO SOUTH
DEVELOPMENT AUTHORITY**



2017
2018



ANNUAL CORPORATE REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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



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16 MAR 2013



KEY ENTITY INFORMATION AND MANAGEMENT

Background information

Ewaso Ng'iro South River Basin Development Authority was formed in 1989 by an Act of Parliament CAP 447 of the Laws of Kenya. The Authority headquarter is at Narok Town in the Republic of Kenya. Its operations are spread out across the 4 (four) counties of its jurisdiction that is, Narok, Kajiado, Nakuru and Nyandarua. To ensure effectiveness and efficiency of operations the Authority has established sub-basin offices in the respective counties, namely the Mara Sub- basin Office in Kilgoris, Narok County, the Njoro Sub-basin in Nakuru County, the Malewa Sub-basin Office in Nyandarua, the Olkejuado Sub-basin in Kajiado County and the Noolturesh Sub-basin in Oloitokitok Kajiado County.

Principal Activities

Mandate

The Authority's mandate is to plan and coordinate the implementation of development projects in the Ewaso Ng'iro River Basin and its catchment areas and for connected purposes.

Functions of the Authority

The functions of the Authority under the Act are outlined below:-

1. To plan for the development of the Area 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 initiate such studies, and carry out such surveys, of the Area as may be considered necessary by the Government or the Authority, and 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, or wildlife and tourism industries, electric power generation, mining, and fishing, and to recommend economic priorities
4. To co-ordinate the various studies of schemes within the Area such that human, water, animal, land and other resources are utilized to the best advantage and to monitor the design and execution of planned projects within the Area
5. To effect a program of both monitoring and evaluating the performance of projects within the Area so as to improve such performance and establish a responsibility thereof, and to improve future planning.
6. To co-ordinate the present abstraction and use of natural resources, especially water, within the Area and to set up an effective monitoring of abstraction and usage;
7. To cause and effect the construction of any works deemed necessary for the protection and utilization of the water and soils of the Area;



8. To ensure that landowners in the Area undertake all the measures specified by the Authority to protect the water and soils of the Area
9. 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 Area as may be necessary for the efficient forward planning of the Area
10. 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
11. To examine the hydrological and ecological effects of the development programs and evaluate how they affect the economic activities of the persons dependent on river environment
12. To consider all aspects of the development

Vision

To be a leading agency in promotion of integrated, sustainable and equitable social-economic development in the region.

Mission

To initiate, plan and implement integrated, equitable socio-economic development programs through sustainable utilization of basin based resources and promotion of investments within the Authority's jurisdiction of consultative partnership platform with the aim of improving livelihood in the ENSDA region.

Core Objectives

The Authority's Strategic Objectives are: -

1. To promote management of natural resources and environmental conservation.
2. To formulate Integrated Regional Development Plans and prepare and update resource maps in consultation with stakeholders.
3. To improve livelihoods of the communities in the region by enhancing resource based investments.
4. To promote community participation in development while ensuring equitable benefit sharing from the economic exploitation of resources within the region
5. To enhance the coordination, monitoring and evaluation of projects in the region

Fiduciary Management

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

No.	Designation	Name
1.	Managing Director	Mr. Sammy L. Naporos
2.	Chief Manager Finance	Mr. Jonathan L. Nampaso
3.	Chief Human Resource & Administration	Mr. Richard Tankille
4.	Chief Manager Technical Services & Operations	Eng. Ali J. Boru
5.	Chief Manager Planning Research & Development	Mr. Peter Bw'Ogero

Fiduciary Oversight Arrangements

The Board has fiduciary oversight responsibility over the Authority's operations and has ensured adequate systems and processes of accountability, risk management and controls are in place. The key Board Committees with fiduciary oversight responsibility are the Audit and Risk Management Committee and Finance and Establishment Committees. In the period under review, the Committees held quarterly meetings, deliberated on reports submitted by the management and made appropriate recommendations to the Authority's Board for approval.

In exercise of its oversight role, the Board held quarterly meetings and ensured the following among other things: timely preparation of financial statements and reports; continuous risk assessment; maintained an effective and efficient system of internal controls. The Audit and Risk Management Committee oversees the internal audit function and follows up on the observations of the external audit.

ENSDA HEADQUARTERS ENSDA

Building Off Narok - Bomet Rd. Opposite Maasai Mara University
P.O. BOX 213 - 20500
Narok.

ENTITY CONTACTS

Telephone: 020 - 8082493

E - mail: md.ensda@gmail.com, md.ensda@go.ke

Website: www.ensda.go.ke

ENTITY BANKERS

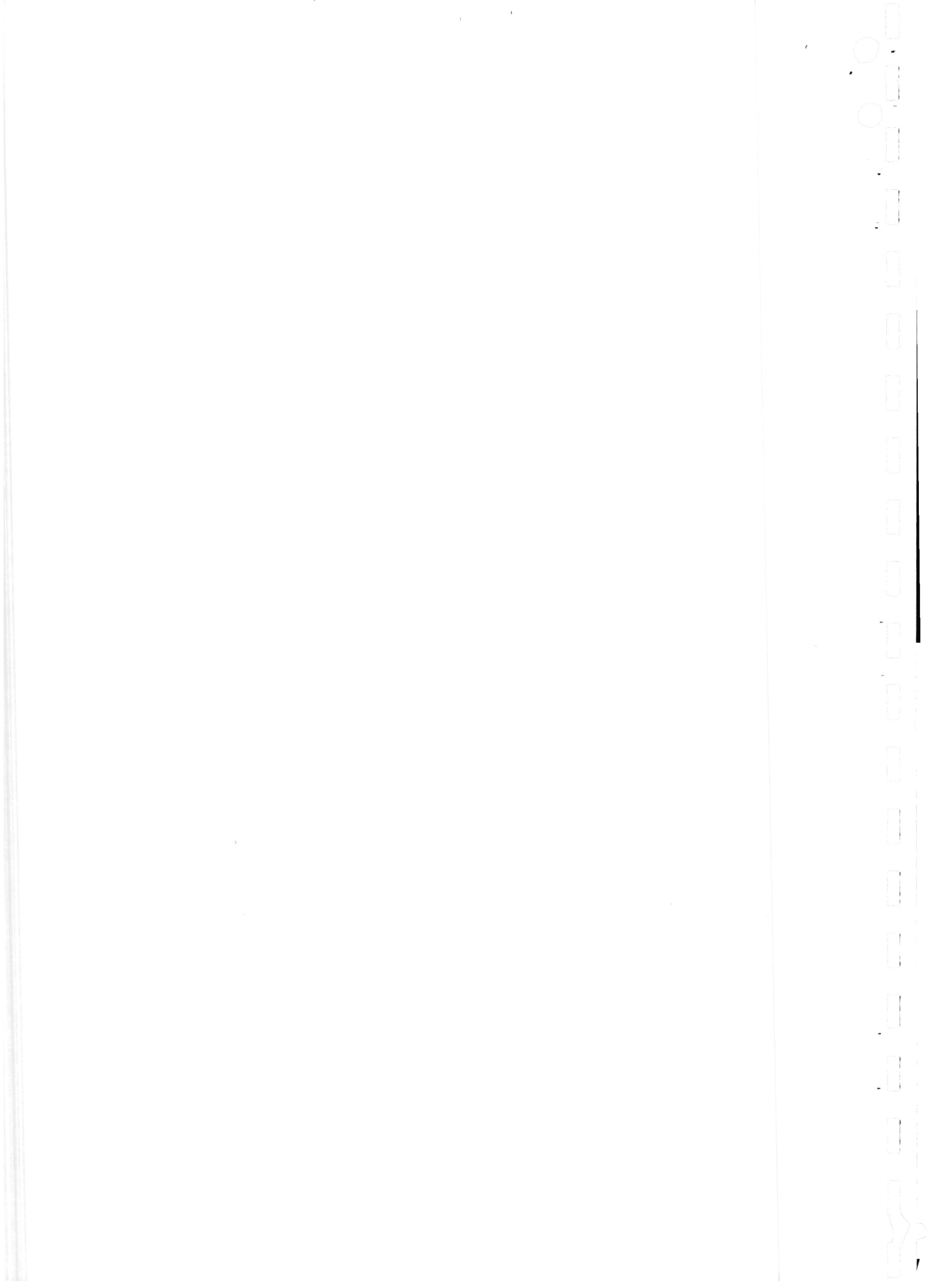
- i) National Bank of Kenya,
Narok Branch,
P.O. Box 348,
Narok.
- ii) Co - operative Bank of Kenya,
Kisii Branch,
P.O. Box 2469,
Kisii.
- iii) Kenya Commercial Bank
Narok Branch,
P.O Box 406,
Narok.

INDEPENDENT AUDITORS

Office of the Auditor General
Nakuru Hub
PC's Office - 1 st Floor
Block B Room 14
P.O Box 1050
Nakuru.

PRINCIPAL LEGAL ADVISER

Solonka and Company Advocates
View Park Towers,
4th Floor Monrovia Street
P.O Box 3058 - 00200
Nairobi



BOARD OF DIRECTORS

Mr. Seleila Ole Mwanik - the Board Chairman



Mr. Seleila Ole Mwanik joined the Authority's Board as a Chairman on 18th March 2016. He is currently the Liaison Officer of the Maasai Mara University. He holds a Bachelor's Degree in Social Sciences (Sociology and Political Science), Second Class Honors, Upper Division from Catholic University of Eastern Africa. He is presently pursuing a Master's Degree in Business Administration (MBA) at Maasai Mara University. Mr. Seleila Ole Mwanik has also attended various short courses on leadership and management including Senior Management Course, Kenya School of Government; Lead Auditor Course for Education Institutions based on ISO/DIS 9001: 2015 and ISO 19011:2011 (KEBS); Internal Quality Auditing, ISO 19011:2002 Standard (Alpex Consulting Africa Ltd); Leadership Course for Building Kenya's Future (Clemson University and Maasai Mara University); Implementation of Quality Management System, ISO 9001: 2008 (Alpex Consulting Africa Ltd) and Audit Committee and Risk Management Training (KCA Univ.). Mr. Seleila Ole Mwanik also served as an elected Councilor in the defunct Narok County Council between 1990 and 1997. Other positions that he has held include; member of the Board of Trustees for Kenya Wildlife Service between 1998 and 2002 and a member of Narok Water and Sewerage Company for one term of three years.

Ms. Esther Wanjiku Njogu - Non - Official Director



Ms. Esther Wanjiku Njogu joined the Authority's Board on 2nd October 2015. She is the current Board Vice Chairperson. She holds a Diploma in County Governance and Public Administration and a Certificate in County Governance both Jomo Kenyatta University of Agriculture and Technology (JKUAT). She has served in different positions in Nyandarua County Council as follows: since 2015 to date - a member of Ndaragwa Sub-county Alcoholic Drinks Regulation Committee; Member of Nyandarua Trade Joint Loans Board; 2003 - 2012 - Nominated Councilor. Ms Njogu has also served in other positions including; 2012 to date - TNA (The National Alliance), Treasurer Nyandarua County; 2007 - 2012 - the National Executive Council (KANU), the National Deputy Treasurer; 2005 - 2012 - the National Executive Council (KANU), Central Province Representative; 2002 - Central Province Presidential Campaign Coordinator (KANU) 1992 - 1997 - Nyandarua County Council, Women Leader. Further, Ms. Njogu has flourished in Business, real estate and construction among others. She has also been involved in charity work since 1990, she was for instance involved in settling Internally Displaced People (IDP) who sought refuge in Nyandarua.

Mrs. Beatrice Katimua K. Kerei - Non - Official Director



Ms. Beatrice Katimua K. Kerei was appointed to the Authority's Board on 2nd November 2015. She is the current Chairperson of the Development and Environmental Conservation Committee of the Board. Ms. Beatrice K. K. Kerei is an Assistant Administrator at Umma University where she also serves as a part time lecturer. She holds a Master's Degree of Education Programme (Med) Educational Administration and Planning and a Bachelor of Education Degree, both of Catholic University of Eastern Africa. Ms. Beatrice K.K. Kerei was an Assistant Administrator at Umma University in 2015. She has also served in different capacities in both Umma University (2016) and Maasai Mara University between 2013 and 2015. Through short trainings Beatrice has acquired skills in diverse fields for instance, Disaster Management, ICT Integration in Education; Master Teacher Training for Education Support Project through Solar Powered Internet School [SPIS] S. KOREA and teachers' role in Sexuality Education & HIV/AIDS

Mr. Sammy Rorat Kisaika - Non - Official Director



Mr. Sammy Rorat Kisaika joined the Authority's Board on 2nd November 2015. He is the current Chairman of the Finance and Establishment Committee of the Board. Mr. Sammy R. Kisaika holds a Bachelor of Commerce Degree of Nairobi University and is presently pursuing a Master's Degree in Business Administration at Kenyatta University. He also holds a Diploma in Communication, Print and Electronic Media of Daystar University. Since November 2015 to date, Mr. Sammy R. Kisaika, is the Narok Branch Manager, Bank of Africa. He has served in the Banking Sector in different positions including; Credit Manager, Family Bank (2014), Business Manager, K-rep Bank, 2012 - May 2014; Credit administration Unit, Kenya Commercial Bank, 2010 - June 2012 and Credit Officer, Faulu Kenya (2008)

Mr. Lotunale K. Elijah - Non - Official Director



Mr. Lotunale K. Elijah was appointed a member of the Authority's Board on 2nd November 2015. He is currently the Chairman of the Audit and Risk Management Committee. Mr. Lotunale K. Elijah has served as Field Editor with Kenya National Bureau of Statistics (KNBS) since 2015 to date. He holds a Bachelor of Science Degree, Microbiology (Second Class Upper Division) of Moi University and presently pursuing a Master of Science Degree, Strategic Management at Kisii University. Mr. Lotunale held the position of a Research Assistant at the Kenya National Bureau of Statistics in 2014 and a Civic Education Facilitator with the same organization in 2013. In 2011 January to September 2012 he was a Field Coordinator with the Pokot Outreach Ministries. He also served the same organization in the capacity of a Field Monitor in 2009 to 2010.

Ms. Fatuma Ekal - Non - Official Director



Ms. Fatuma Ekal joined the Authority's Board on 2nd October 2015. She is currently a member of the Audit and Risk Management Committee of the Board. She holds Bachelor's Degree in Education (Arts) and also a Diploma in Education. She is currently the Principal of Our Lady's Girls Secondary School, Kakumu, a position she has held since the year 2014. Previously, she served as the Deputy Principal of the former for the period 2010 to 2011. Ms. Fatuma Ekal has served in various leadership positions including: Delegate, Mwalimu National SACCO (2014 to date); Director of Studies, St. Anne's Nzoia Girls Secondary School (2007 to 2010); Kenya Secondary Schools Head Association (KESHA), Chairperson, Turkana West Sub County (2012 to date) and Turkana County Secondary Schools Examination Secretary (2012 to date).

Mr. Samson Cheramboss - Non - Official Director



Mr. Samson Cheramboss joined the Authority's Board on 2nd October 2015 and is currently a member of the Finance and Establishment Committee of the Board. Mr. Cheramboss has attended several courses including: Police promotional courses at Kenya Police College; Public Administration Courses at Kenya Institute of Administration (Finance Administration and Psychology) and Security Intelligence and Anti-Terrorism (locally and abroad). He has experience in various fields including in the security docket, wildlife management and management of various parastatals. He is a retired civil servant and currently a farmer & businessman. Mr. Samson Cheramboss has served in different capacities including: Station Commander, Deputy OCPD, OCPD and GSU Company Commander (1973 -1992); Provincial Police Officer (PPO), Nyanza (1993 - 1994); Deputy Director Kenya Wildlife Service (1995-1998); Presidential Escort Commandant (1996-1999); and GSU Commandant (1999- 2002). Mr. Cheramboss has also served in various Boards namely: Chairman Kenya Ports Authority (2002); Council Member Moi University (2009-2013); Director, Chemelil Sugar Company (2013-2015) and Board member in various schools. Mr. Samson Cheramboss has also earned recognitions and awards including: Silver Star (SS); Distinguished Service Medal (DSM); Moran of the Burning Spear (MBS) and Elder of the Burning Spear (EBS). He retired in the rank of Senior Deputy Commissioner of Police One (SDCP(I)).

Ms. Irene Wangui Kimaru - Non - Official Director



Ms. Irene Wangui Kimaru was appointed into the Authority's Board on 2nd November 2015. She is a member of the Finance and Establishment Committee of the Board. She is a holder of a Bachelor of Commerce Degree of Kenyatta University and is currently pursuing a Master of Business Administration, Strategic Management at Kenyatta University. Ms. Kimaru is a Certified Public Accountant of Kenya and is presently an Accounts Assistant with SmeP Microfinance Bank since the year 2015. Previously, she served the same Bank as a finance Intern for the period August 2014 -May 2015.

Mr. Ndogo Waweru- Non - Official Director



Mr. Ndogo Waweru was appointed to the Authority's Board on 2nd November 2015 and he is presently a member of the Audit and Risk Management Committee. Mr. Ndogo Waweru is a holder of East African Certificate of Education of the University of Cambridge and also a Teacher Education Certificate of Asumbi Teachers' College. He was a Councilor in the defunct Ministry of Local Government during the period 1992 to 2002. In the year 1974 to 1991, Mr. Ndogo Waweru was a Primary School Headmaster. He also has wide experience in Business, dealing majorly with agricultural and farm input

Mr. John Lengoisa Samorai - Non - Official Director



The appointment of Mr. John Lengoisa Samorai to the Authority's Board took effect on 2nd November 2015. He is presently a member of the Development and Environmental Conservation Committee of the Board. He holds a Bachelors Degree of Health Management of Kenyatta University. Mr. John Lengoisa Samorai is currently an Assistant Program Officer at Ogiek Peoples Development Programme in Kenya. He has also served in several other positions including: Consultant with UNESCO on Indigenous and Local Knowledge on Pollution and Pollinator associated with Food Production leading to publication of a Pollination Assessment Report ipe- recherche (2014 - 2015); Expert reviewer of the first order draft of the Global status on pollination report; representing OPDP in Indigenous people's forums related to natural resources, environmental conservation climate change and indigenous peoples issues and discussion on Reduction of Emission from Deforestation and Forest Degradation (REDD) among others.

Mr. Livingstone Bumbe - Alt. Director, CS. The National Treasury



Mr. Livingstone Bumbe was appointed to the Authority's Board on 14th October 2015. He is a member of the Finance and Establishment Committee of the Board. He holds a Masters in Public Sector Management, Africa University, Mutare, Zimbabwe and a Bachelor of Arts Degree of the University of Nairobi. Since September 1994 to date, Mr. Livingstone Bumbe has served as the Deputy Director in the Department of Debt Management at the National Treasury. His duties at the National Treasury include; deputizing the Director of Debt Policy in matters of policy and risk management; overseeing the development of the domestic debt market and market reforms; managing and spearheading domestic debt issuance and auctions; guiding the National and County Governments borrowing strategies among others. Mr. Livingstone Bumbe has attended diverse courses within and without the Country including: MEFMI Regional Workshop on Yield Curve Development, 2017, Maseru, Leshotho; Training on PP Procurement and Contract Management, 2016, Crown Agents United Kingdom; Financial Markets Development - Kenya School of Monetary Studies, 2007; Advance Public Administration, Kenya Institute of Administration, 2006 and Techniques of Money Management, Kenya School of Monetary Studies, Kenya, 1997 among others.



Mr. Benson Kinyanjui Kimani - Alt. Director, CS. State Department of Planning and Statistics

Mr. Benson Kinyanjui Kimani joined the Authority's Board on 2nd September 2016. He is a member of the Development and Environmental Conservation Committee of the Board. He holds a Master's Degree in Economic Policy Management from Makerere University and a Bachelor of Arts Degree (Economics) from the University of Nairobi. He is presently the Director Economic Planning in charge of the Economic Development coordination in the State Department of Planning and Statistics, the Ministry of Devolution and Planning. He has attended various courses including the Strategic Leadership Development Programme, Kenya School of Government; Monitoring and Evaluation of Public Sector Projects and programmes (University of East Anglia, Norwich); and Integrated and Sustainable Coastal Development (Gothenburg University, Sweden). Mr. Benson Kinyanjui Kimani has been involved in various key activities including preparation of Medium Term Plans of the Kenya Vision 2030, MTEF budgeting as well as supporting County Integrated Development Planning. He is also a certified Project management Professional and has been involved in coordination and management of various projects and programmes at both national and devolved units.



Ms. Irene Ngonde - Alt. Director, CS. Ministry of Environment & Natural Resources

Ms. Irene Ngonde was appointed into the Authority's Board on 27th February 2015. She is a member of the Development and Environmental Conservation Committee. Ms. Ngonde holds a Masters in International Business Administration (M.I.B.A) of Alagappa University, India. She also holds a Bachelor of Commerce Degree, Mysore University, India and a Diploma in Management Information Systems, All India Institute of Management Studies, India. Ms. Ngonde's experience in the Ministry of Environment and Natural Resources is as stipulated herein: Assistant Secretary II - Coordinator, Nairobi River Basin Rehabilitation Programme (2016 to date); Assistant Secretary II/ Administration (April 2013 - March 2016); Baseline Survey Research Assistant, Medair East Africa, South Sudan (May - July 2005).



Ms. Theresa Wasike - Alt. Director, CS. Ministry of Water & Irrigation

Ms. Theresa Wasike joined the Authority's Board on 15th January 2016 and she is currently a member of the Audit and Risk management Committee. Ms. Wasike holds a Master's Degree in International Relations of Ukrainian Institute of International Relations, Kiev University. She has also undertaken several professional short courses including: Corporate Governance for Directors of State Corporations (2017); Sensitization for members of Audit Committees (2017); Gender Mainstreaming for Water Utilities (2012); Gender Audit training (2011); Strategic Leadership Development Programme (SLDP) (2010); Senior Management course (2006); Advanced Public Administration Course for Administration Officers (2002) and Administration course for Administration Officers (1996). Ms. Theresa Wasike has 20 years' work

experience as an administrator. Since the year 2012 to date, Ms. Wasike has held the position of an Undersecretary in the Ministry of Water and Irrigation. Previously, she was a Senior Assistant Secretary in the same Ministry. Ms. Wasike had also served as a District Officer in the Rift Valley and Western Provinces between the year 1996 and 2007.



Mr. Julius O. Biginga- Alt Director, Inspector General (Corporations)

Mr. Julius Biginga joined the Authority's Board on 29th March 2016. He is a member of both the Finance and Establishment Committee and the Audit and Risk Management Committee of the Board. Mr. Julius Biginga holds a Bachelor of Commerce Degree in Business Administration of Poona University, India and Masters Public Policy Management and Administration of Kenyatta University. He also holds a Diploma in Marketing (Chartered Institute of Marketing, UK). Mr. J. Biginga is currently a Principal Inspector of State in the office of the President, the Department of Inspectorate of State Corporations. He has wealth of experience having served in different position as follows: Desk Officer - COMESSA and Domestic Trade (2001 -2003) and District Trade Development Officer - Mbeere District, the Ministry of Trade and Industry (1996 - 2001). Previously, he served as an Assistant Trade Development Officer in diverse Districts namely; Marsabit (1990 - 1993), Isiolo (1993 -1995) and Kitui (1996 - 1997). Mr. J. Biginga has also undertaken numerous professional short courses including: Risk Management Training - Institute of Risk Management (2017); Induction of Board members - Kenya School of Government (2016); Performance Management Systems - Kenya Institute of Administration (KIA) - 2011; Senior Management Course - KIA (2010) and Corporate Governance and Principles - 2005 among others.





Mr. Sammy Naporos - Managing Director & Chief Executive Officer

Mr. Sammy Naporos was appointed the Managing Director of Ewaso Ngiro South Development Authority on 12th April 2016. Following his appointment, he effectively joined the Board as per the Authority's Act Cap 447 of the Laws of Kenya, Subsection (1) (m). Previously, Mr. Sammy Naporos served as the Authority's Planning Manager during the period 2012 to 2015. He holds a Master of Arts Degree in Project Planning and Management of Nairobi University and a Bachelor of Science Degree in Business Administration of United States International University- Africa. He also holds a Diploma in Business Administration of Ramogi Institute of Advanced Technology, Kenya. He is presently finalising a thesis towards a PhD in Development Studies, Jomo Kenyatta University of Agriculture and Technology. Mr. Naporos has over 15 years' experience in the field of planning gained while working with the Authority, UNDP funded projects, Taretuoki Mission Trust and SCILO-KENYA. Mr. Naporos has taken several professional courses including: Environmental Impact Assessment and Audit (Nazarene University) and Certification in Monitoring and Evaluation (Kenya Institute of Management). He has also undertaken short courses, among them being; Senior Management Course (Kenya School of Government); Internal Quality Audit, ISO 19011 (SHEQ International Management Consultants) and Budgeting, Forecasting, Planning & Cost Control Management (Brainstorm Management Consultants).

BOARD COMMITTEES

NAMES	MEMBERS
1. FINANCE AND ESTABLISHMENT COMMITTEE	Mr. SAMMY RORAT Mr. JULIUS O.BIGINGA Mr. LIVINGSTONE BUMBE Ms. IRENE WANGUI KIMARU Mr. SAMSON CHERAMBOSS
2. DEVELOPMENT AND ENVIRONMENTAL CONSERVATION COMMITTEE	Mrs. BEATRICE KATIMUA K. KEREI Mr. JOHN LENGUISA SAMORAI Mr. BENSON KINYANJUI KIMANI Ms. IRENE NGONDE
3. AUDIT AND RISK MANAGEMENT COMMITTEE	Mr. LOTUNALE K. ELIJAH Ms. FATUMA EKAL Mr. NDOGO WAWERU Ms. THERESA WASIKE Mr. JULIUS O.BIGINGA Ms. ESTHER WANJIKU NJOGU

MANAGEMENT TEAM



RICHARD M. TANKILLE -CHIEF MANAGER, HR & ADMINISTRATION

Mr Richard Tankille joined the Authority in the year 2011 from Action Aid Kenya. He also worked with World Vision Kenya and brings along experience in project planning and Management. He is a HR professional with a master (M-PHIL in Human Resource Development) and B-ED arts degree. He is a certified educator in holistic management, also trained in Senior Management Course-Kenya School of Government (KSG), Monitoring and Evaluation certification program- Kenya Institute Management (KIM), and SAGE 50 Quantum Accounting software Kenya Mathematics Institute, public Procurement by Kenya Institute of Supplies Management (KISM), and Governance Accountability course. He is responsible for the general administration and the physical assets of the organization. Develops long range strategic Human resource planning and innovations, initiate innovative strategies to promote staff productivity and growth of the organization. Develops and communicate organizational values to all levels, business environment and up-to-date modes of working in a competitive environment, Formulate strategic employee recruitment and retention plans. Design staff training and talent development programs. Keep abreast with latest industry trends and best practices to ensure optimal performance of the department and the organization. Participate in committee meetings as appropriate



CPA. JONATHAN LEYIAN NAMPASO - CHIEF MANAGER FINANCE

Jonathan Leyian Nampaso Joined the Authority this year 2018 as a Chief Finance Manager having worked with Maasai Mara Wildlife Conservancies Association (MMWCA) as a Chief Finance Officer (CFO), World Vision of Kenya as a Senior Grants Accountant, and Pillar of Hope as a programme Accountant.

He holds an MBA in Finance 2017, Bachelors of Commerce Degree- (Accounting Option), 2011, CPA (K) 2005. He is a member of ICPAK. He has also attended other short courses and trainings such as Sun Systems & Vision/Q&A Certification Program, course designed to assess the proficiency in the utilization of Sun Systems and Vision/Q&A, the Global Finance Capacity Training on Cash and Expenses, the Microsoft Office 2010 course at Institute of Advanced Technology, the European Union/European Commission government Grant Management Certification Program Training, the United States Government Grant Management Certification training on Global Fund Management responsibility Accounting and Variance Analysis Training, and the Government of Germany Grants Regulations Training.

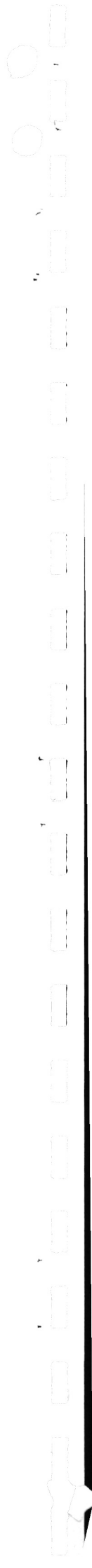
In finance department, he provides Financial Management and control services to the Authority specifically spear heading financial forward planning in line with the overall ENSDA's strategic operations and the Public Financial Management Act 2012, promote transparency, effective management and accountability with regard to the Authority's resources, monitor, evaluate and review the Authority's risk management strategies and governance structures, ensure that procurements of goods, works and services of the Authority are within the approved budget and in conformity with of the Public Procurement and Asset Disposal Act 2015.

PETER BW'OGERO - CHIEF MANAGER, PLANNING, RESEARCH & DEVELOPMENT



Mr. Peter Bw'Ogero joined the Authority in the year 1996. He hold a Masters in M.Sc. in International course in Hydrological Engineering (Engineering and groundwater hydrology). M.Sc. degree in Hydrological Engineering, An integrated B.Sc. and M.Sc. programme in Civil Engineering, specialising in Water Supply and Sewerage Engineering, M.Sc. degree in Civil Engineering, Irrigation Engineering, Engineering Technician (part I - III - Credit). He Attended the 11th Regional Water and Sanitation Seminar, Nairobi, Kenya, the Total Quality Management (TQM) course with the Kenya Institution of Management., the National Workshop on the Draft Water Bill 2000, KCB Institute, Nairobi, Kenya, the 11th Stockholm Water Symposium (Stockholm, Sweden), the 12th Stockholm Water Symposium (Stockholm, Sweden), the 'Water Resources Management and Development Priority Setting Workshop' - organised by G.O.K. and World Bank , the 'Training Workshop on International Water Law and Negotiation Skills / Conflict Resolutions' organised by GOK and World Bank at the Panafric Hotel, Nairobi, Kenya, the 'Kenya Water Partnership (KWP) Workshop' at Holiday Inn, Nairobi, Kenya, 'National Workshop on Monitoring and Information System in Water Sector at Kenya Water Institute, Nairobi, Kenya, 'Results Based Management Capacity Building Training Programme' at the Kenya Institute of Administration, Nairobi, Kenya, refresher course on 'Environmental Water Assessment and Allocations for Rivers' by UNESCO-IHE and the University of Dar Es Salaam in Dar Es Salaam, Tanzania, Performance Appraisal Systems Training Seminar' at the Kenya Institute of Administration, Nairobi, Kenya, the 'Canadian version of Hydrological Operational Systems (HOMS) training workshops at the Institute of Metrological Training and Research, Nairobi, Kenya, a 'Project Management Course' at the Strathmore University, Nairobi, Kenya, Essential of Project Management Course' at the Kenya Development Learning Centre (KDLC), Nairobi

He heads the Planning, Research and Development department, where he plans, develops and establish policies, procedures and objectives of the Authorities. In the Planning function he provides organizational strategic directions; oversee integrated



development planning, development of projects concept and proposals, preparation of budgets; and monitoring and evaluation of the projects and programs. He also research and develops functions in line with Authority's objectives; review and initiate research and development proposals and ensure Authority remains up to date in terms of technological changes. In Regional Co-ordination he plans, develop and establish policies, procedures and objectives of Authority's regional coordination of the 6 sub-regional offices; raise awareness among community leaders, businesses and the general public in the sub-regions on the benefits of sustainable utilization of resources, and enhancing participation of stakeholders and partners in projects implementation; coordinate all activities in the sub-regions including identification, prioritization of projects and programmes for implementation by the Authority in the sub-regions.

ALI J. BORU - CHIEF MANAGER, TECHNICAL SERVICES & OPERATIONS

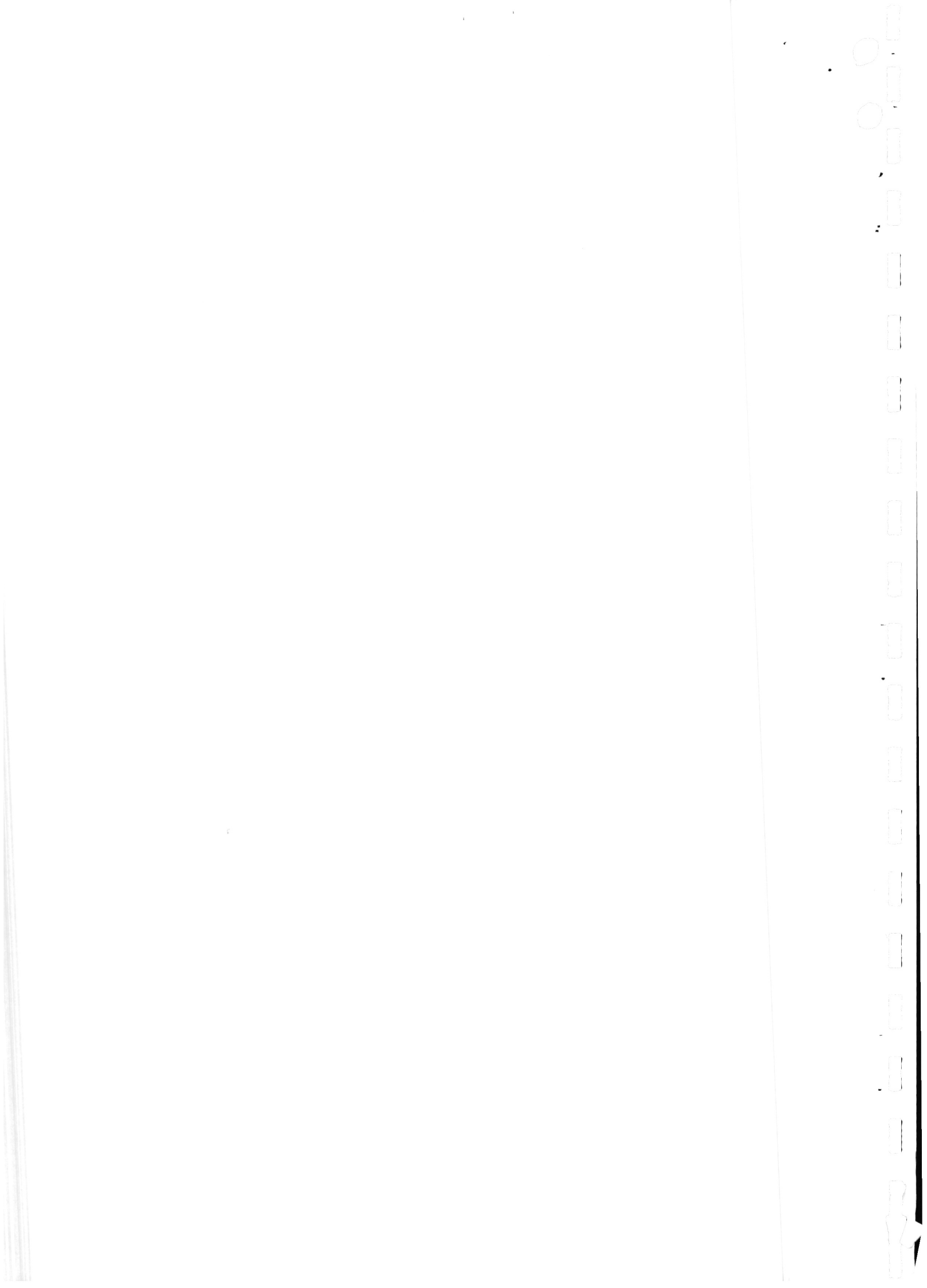


Boru joined the Authority in August 2018. He holds a BSc Hons in Agricultural Engineering, Masters in Project Planning and Management and currently pursuing PhD in Project Planning and Management. Registered with among others, Engineers Board of Kenya, Kenya Association of Project Managers and Environmental Impact Assessment and Auditing Lead expert with NEMA. Has attended short professional and management courses among them GIS resource mapping and planning from CETRAD, Contract management by IEK, International Course on the Practical Use FIDIC Conditions of Contract by Association of Consulting Engineers of Kenya, Urban and Regional Development Planning and Management course from Singapore, UNCRD-JICA, Senior Management Course from Embu Staff College, Senior Management Seminar Kenya School of Government, Corporate Governance Certificate from Centre of Corporate Governance. He has been a Member of the Task Force appointed to review the Act of Parliament for RDA's and Board of Governors of Waso Secondary School. Boru is a career Public Servant with over 30 years of experience.

Engineer is responsible for the overall coordination and management of Technical Services and Operation Department, ensuring effective and efficient integrated programming within the Authority. This covers core business namely; natural resources, Community development and all engineering services. He is responsible for coordinating planning, designs implementing,



supervision and commissioning strategic projects and programmes within the Authority. He is responsible for providing technical guidance in Technical services and management of operations for the projects and programmes, ensuring strict adherence to specification and acceptable standards. He will be further responsible in developing policies and guidelines for efficient running of the department



I. CHAIRMAN'S STATEMENT

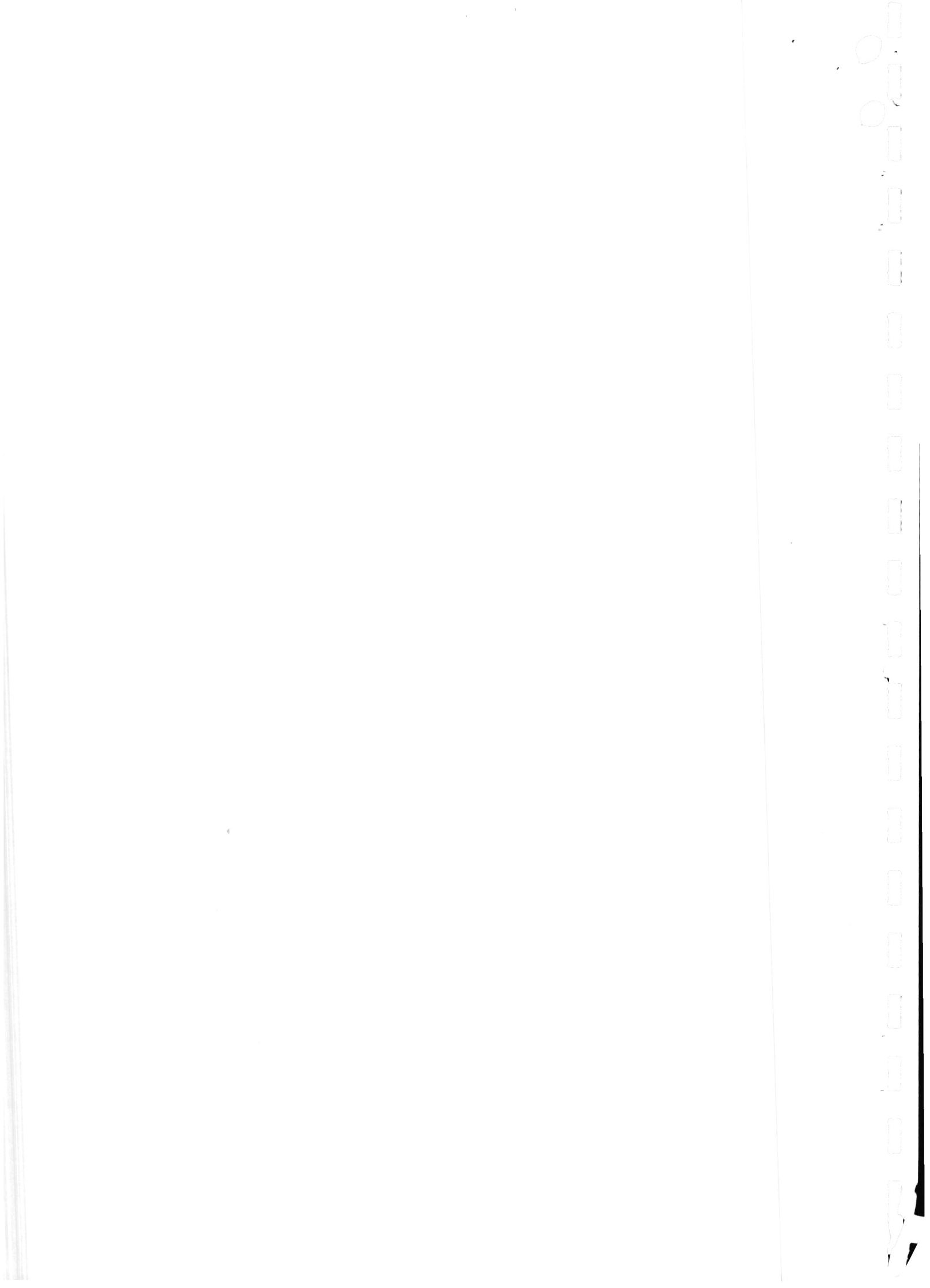


The Board is committed to ensure that the Authority delivers services to the public in line with the constitution of Kenya 2010 by discharging its governance and oversight functions that enables management to improve on efficiency and effectiveness of the Authority's operations.

During the period 2017/2018, the Authority implemented a number of Key projects geared towards community livelihood improvement and environmental conservation within the region. The projects include: the Ewaso Ng'iro Tannery and Leather Factory, ENSDA Technology Transfer Centres, Bamboo Commercialization and Value addition, Environmental Protection and conservation, Water Harvesting and Storage, and the National Drought Response Programme.

The Ewaso Ng'iro Tannery and Leather factory being one of the Vision 2030 is located in Narok County. The project is at advanced stage of implementation and targets to open up the economic potential of the region by creating 500 direct and indirect jobs, create direct market to raw hides and skins hence spurring local and national economic growth. ENSDA Technology Transfer Centre, namely, Nkorienito Milk Cooling Plant in Kilgoris, Narok County, was completed and commissioned during the year. The project has created direct and indirect employment opportunities to over 300 people and increased incomes of the local communities in the area. The integrated Bamboo Commercialization and value addition an ongoing project which will provide employment and incomes as well as contribute to environmental conservation of the Mau Forest Complex.

The challenges facing the organization are insufficient resource allocation compared to the high demand for development in the region and inadequate legal and regulatory framework to facilitate effective operations. To enhance financial sustainability for effective engagement in development, the Authority is implementing a number of investment projects for example the Leather Factory and Bamboo Value Addition Projects. Further, the Authority is developing a resource mobilization and partnership strategy aimed at attracting additional financing for projects to augment financial support by the exchequer. With support of the Parent Ministry and stakeholders, the process of harmonization of the Authority's legal and regulatory framework is underway.



II. REPORT OF THE CHIEF EXECUTIVE OFFICER



In the year 2017/2018, the ENSDA's management demonstrated professionalism, transparency and accountability in the delivery of its mandate as well as provision of critical services to the communities and stakeholders in its area of jurisdiction comprising Narok, Kajiado, and parts of Nakuru and Nyandarua. The strategic programmes that were implemented during the year are, namely, Catchment Conservation and Protection of riparian lands; Community Empowerment; River basin resource based development investments and Organizational development.

Guided by the Public Finance Management Act 2012 and National Treasury guidelines on Public Expenditure, Funds received by the Authority were utilized on budgeted projects and programmes. During the year, the Authority's key objectives were aligned to vision 2030, the Sustainable Development Goals (SDGs) and Sector Performance Standards. Investment projects intended to enhance Authority's financial sustainability are the Leather Factory at Ewaso Ng'iro in Narok County whose completion rates are 98% and the Bamboo Propagation and Commercialisation project covering Narok, Nakuru and Nyandarua Counties.

Degradation of catchment areas, river basins, and fragile landscapes, compounded with climate change are major challenges hampering development in the region. To address and mitigate against negative environmental impacts the Authority continued to implement conservation projects across the region whereby 30 km of riparian / river banks of Narok (Ewaso Ng'iro) and Njoro Rivers were protected and conserved in collaboration with stakeholders during the year.

In the year, the Authority implemented projects for livelihood improvement and employment creation. The Authority continued to implement Initiatives for expanding the Tea Development Project in Transmara, which creates about 100 casual jobs daily. In addition, the Authority has initiated development of a 15-acre Purple Tea plantation and plans to promote processing of the purple tea through cottage industries. The other initiative that the Authority has successfully implemented during the year is the ENSDA Technology Transfer Centre (Nkorianito Milk Cooling Plant) in Trans Mara. The centre has tremendously boosted milk production and increased dairy farmers' incomes in the area. The milk cooling plant has created a 'supply - transport -linkage opportunity' through which over 500 informal jobs have been created for women and youths.

In the implementation of projects and delivery of services, the Authority ensured compliance with various statutory and constitutional requirements. More specifically the Authority endeavoured to comply with Procurement requirements that 30% of all procurement are reserved for the youth and women and that 2% of that goes to People with Disabilities.

In the year, the Authority's development agenda was informed by the Strategic Plan 2012-2017 whose strategic programmes include, promotion of natural resources and environmental conservation, formulation of Integrated Regional Development Plans and resource maps in consultation with stakeholders, improvement of livelihoods of the communities in the region

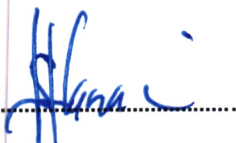


by enhancing resource based investments, promotion of community participation in development, and enhancing the coordination, monitoring and evaluation of projects in the region.

The main challenges that faced the Authority in implementation of the Strategic Plan were inadequate financial resources, inadequate legal and legislative framework, high levels of poverty and unemployment in the region resulting in high expectations and environmental degradation. In this regard the Authority has developed a new Strategic Plan for 2017-2022 to drive the Authority's agenda for the next 5 years. One of the key result areas of the new Strategic Plan is organizational financial sustainability which is to be achieved through investment projects such as the Leather Factory and Bamboo Value Addition Projects. Further, the 5 year Strategic Plan gives emphasis on developing a robust resource mobilization and partnership strategy aimed at attracting additional financing for projects.

To ensure its operations are in line with country's constitutional dispensation and avoid duplication of services, the Authority has comprehensively reviewed its Act (CAP 447) and submitted the draft Bill to the Parent Ministry.

Signed:



Date. 28.9.2018

III. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Public Finance Management Act, 2012 and the State Corporations Act, require the Directors to prepare financial statements in respect of Ewaso Ngiro South River Basin Development Authority, which give a true and fair view of the state of affairs of the Authority at the end of each quarter and its operating results for that period. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy its financial position. 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 ended 30th June, 2018. This responsibility includes:

1. Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period
2. Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority
3. 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
4. Safeguarding the assets of the Authority
5. Selecting and applying appropriate accounting policies; and
6. 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 the State Corporations Act, Cap 446. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of the Authority's transactions during the financial year ended June 30, 2018, and of the entity's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained on 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.

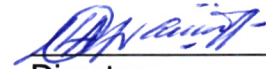
Nothing has come to the attention of the Directors to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Authority quarterly financial statements were approved by the Board on 28th September 2018 and signed on its behalf by:



Director



Director

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IV. MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL AND FINANCIAL PERFORMANCE

Ewaso Ng'iro South River Basin Development Authority is fully committed to improving livelihoods of communities in its jurisdiction area. This has been made possible through implementation of integrated, sustainable, socio-economic development projects and programs.

In FY 2017/18 the Authority implemented a total of 5 projects, namely; Ewaso Ng'iro Tannery and Leather Factory, Integrated Bamboo Commercialization and Value addition, Oloyiangalani Dam Development, Technology Transfer, and Lower Ewaso Ng'iro Multipurpose Project.

During the period under review, the Authority received recurrent grant of Ksh. 312,991,290.75, development grant of Ksh. 259,375,000 and internally generated (A.I.A) of Ksh. 16,464,505 income from other sources is Ksh 1,707,552. The level of creditors was Ksh. 190,245,021.00, a significant percentage relate to contractual commitments on ongoing projects

KEY PROJECTS AND INVESTMENTS DECISIONS THE ENTITY IS IMPLEMENTING

1. Ewaso Ng'iro tannery & leather factory

ENSDA region is endowed with lots of livestock producing large amounts of hides and skin which is mostly left to waste or fetch low prices. Given the main socio-economic set up of this region where livestock keeping is the main economic activity, the Authority strategic objective has given special attention to value addition through leather processing.

The Construction of the Tannery and Leather factory was initiated during 2014/2015 FY with the main objective to create employment, enhance GDP growth, and improve livelihoods through value addition and industrialisation. The project is in line with the Big 4 Agenda of 'Manufacturing and Industrialisation'.

The factory is located in the largest livestock dispersal area with more than 30 abattoirs and is expected to process about 4,000 tonnes of hides and skins annually. The main beneficiaries will be the pastoralist communities that will have increased in incomes especially from the rarely utilized hides and skins. The project is expected to create over 500 direct jobs and 5,000 in direct jobs to people.

The project implementation has 2 phases. Phase 1 comprises construction of the main factory, installation of equipment, water supply system and establishment of an Effluent Treatment Plant (ETP). Phase 2 consists of construction of other support

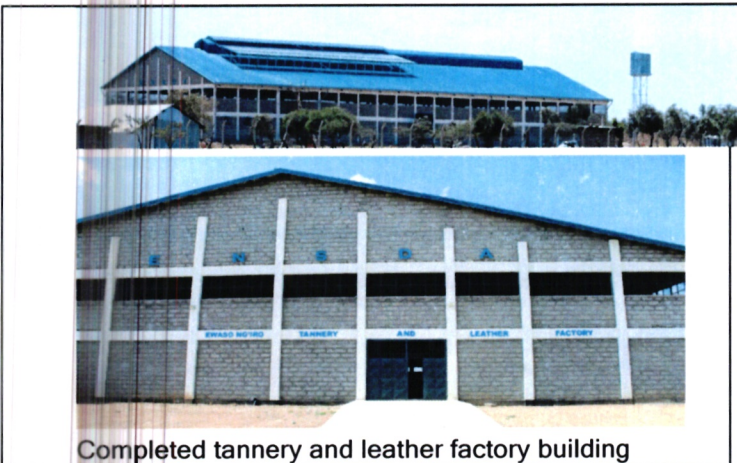
infrastructure - administration block, leather cottage industries, and upgrade of the ETP.

During the FY 2017/2018, the Authority completed the following components of phase 1: -

1. Construction of tannery building
2. Procurement and installation of machineries and equipment
3. Construction of Effluent Treatment Plant (ETP)

The Authority also initiated construction of the main Water supply system and installation of a solar power back-up system.

The overall completion rate of phase 1 is at 98% and the factory is expected to commence operations in the FY 2018/2019.



Completed tannery and leather factory building



Inside Factory: Part of the installed machineries and equipment



Completed Effluent Treatment Plant



2. Integrated bamboo commercialization and value addition

Bamboo Propagation and Commercialization for value addition is an ongoing project from 2014/15 FY. This is one of the Big 4 Agenda initiative project the Authority is implementing under the manufacturing and industrialisation sector. The project components comprise establishment of bamboo propagation and multiplication centres in Narok, Nakuru and Nyandarua Counties, bamboo plantations and a bamboo processing factory.

The project will contribute to poverty alleviation and sustainable development through creation of 300 direct jobs and over 10,000 indirect jobs, industrialization, generation of foreign earnings / revenues of up to US\$9.8 million annually. The project will also address environmental conservation issues, wealth creation and provide alternative sources of energy. The project will have satellite bamboo propagation centres and establish about 100 hectares of bamboo plantations across the region.

During the FY 2017/2018, the Authority achieved the following:

1. Propagation of over 100,000 bamboo seedlings
2. Acquisition of 10 acres of land for bamboo multiplication centre in Narok
3. Establishment of bamboo propagation centres across ENSDA areas i.e. Narok near Mau forest, Nakuru and Nyandarua
4. Conducted tissue culture research with Kenya Agricultural and Livestock Research Organization (KALRO)
5. Conducted community capacity building

During the period under review, the Authority planted over 1,000 bamboo seedlings and over 500,000 tree seedlings in collaboration with the local communities and schools across the region.





Ongoing bamboo multiplication process in Narok



Bamboo multiplication Green Houses at Narok



Bamboo propagation demonstration to students

3. Oloyiangalani Dam Development Project

Oloyiangalani Dam Development Project is one of the Big 4 Agenda projects under food security. The objective is to provide water for domestic use, livestock and smallholder irrigation. The project involves construction of a dam with a storage capacity of 500,000 M³ to serve 20,000 people and over 100,000 livestock units in Kajiado County. In the FY 2017/2018 the Authority carried out prefeasibility study, preliminary surveys and designs of the project. About 20 ha of catchment areas will be conserved through planting of over 20,000 trees during FY 2018/19. A total of 50 ha will be conserved for a period of 3 years upon construction of the dam. The construction of the dam is planned in the FY 2018/2019. The activities to be undertaken comprise:

1. Survey and Designs
2. Construction of dam and auxiliary works
3. Community capacity building

4. Technology Transfer

The Authority established a 10,000 litre milk cooling plant and a dairy farming technology center at Shartuka-Transmara to support in technology transfer. The Project started in FY 2014/2015 to FY 2016/2017. The facility provides a market outlet for the dairy farmers, artificial Insemination (AI) centre for dairy breeds' improvement, and a fodder demonstration farm among other related services. The

project is already providing services to about 500 farmers. The Authority has also Green House farming Project in Narok Town to help in transferring knowledge to farmers in horticultural production. In FY 2017/2018 the Authority improved the performance and service delivery of the plant through automation and community empowerment.

5. Lower Ewaso Ngiro Multipurpose Dam Development Project

This a long-term 'anchor' project for the Authority. The project is based on a well-founded feasibility study carried out by the Authority through TYPESA Consulting Engineers in 2013. The project entails construction of 3 cascade dams on the Ewaso Ngiro South River for hydropower generation (180 MW), irrigation (4,500 ha), water supply, environment conservation and eco-tourism.

In FY 2017/18 the Authority developed a strategy for the implementation of the catchment conservation component of the project. The Strategy focusses on the rehabilitation and restoration of the Mau Forest Complex, which is the main source of Ewaso Ngiro River and therefore critical in the sustainability of the project.

V. CORPORATE GOVERNANCE STATEMENT

(a) Statement of Corporate Governance

The Authority's Board plays a critical role of ensuring achievement of the Authority's strategic objectives. In execution of its mandate, the Board is guided by the Constitution of Kenya 2010, the enabling Act Cap 447, relevant legislations and governance blue prints i.e Mwongozo.

Board of Directors

Appointment of the Board and removal process

The current Board comprises the Chairman, appointed by the President, nine non-official members appointed by the Cabinet secretary of the Parent Ministry, the Managing Director and five Alternate Directors. The Board membership is diverse in terms of gender, competencies, skills and experience to facilitate effective leadership of the Authority.

In accordance to the Authority Act Cap 447, membership of a non-official member of the Board may be terminated by the Cabinet Secretary of the parent Ministry on the following grounds;

- Has been found guilty of improper conduct considered to be inconsistent with membership of the Authority; or
- Is incapacitated by prolonged physical or mental illness from performing his duties as a member of the Authority; or
- Is unable or unfit, for any reason, to discharge the duties of his office, and that it is in the interest of the Authority so to do, may terminate the appointment of that member.

In the financial year ended 30th June 2018, no termination of appointment of any director. There were no new appointments during the year.

Succession Plan

With the exception of the Board Chairman who was appointed in March 2016, the nine non-official directors were appointed in October and November 2015. To ensure smooth transition and continuity, it is expected that on expiry of their term at least a third of their number will be retained. Phased transition is expected to be observed in subsequent tenures of Board members.

Roles and functions of the Board

The roles and functions of the Board are as stipulated in the enabling Act Cap 447 and Mwongozo, the Code of Governance for State Corporations. The Board should:

- a. Exercise its role collectively and not individually.
- b. Determine the organization's mission, vision, purpose and core values.
- c. Set and oversee the overall strategy and approve significant policies of the organization.
- d. Ensure that the strategy is aligned with the purpose of the organization and the legitimate interests and expectations of its shareholders and other stakeholders
- e. Ensure that the strategy of the organization is aligned to the long term goals of the organization on sustainability so as not to compromise the ability of future generations to meet their own needs.
- f. Approve the organizational structure.
- g. Approve the annual budget of the organization.
- h. Monitor the organization's performance and ensure sustainability
- i. Enhance the corporate image of the organization.
- j. Ensure availability of adequate resources for the achievement of the organization's objectives.
- k. Hire the CEO, on such terms and conditions of the service as may be approved by the relevant government organ(s) and approve the appointment of senior management staff.
- l. Ensure effective communication with stakeholders.

Attendance of Board meetings

In the financial year ended 30th June 2018, Board meetings were held in line with the Authority's Act Cap 447 Section 5 and attendance was over 95%. In instances of absence from meetings, the affected directors sent apologies. The Authority's Board is convened by the Chairman at least four times in every financial year and not more than four months elapses between the date of one meeting and the date of the next meeting. Meetings of the Board are held at the principal office of the Authority, in Narok County. The quorum for conduct of business at a meeting of the Board is not less than two - thirds of the total number of members of the Board. During the year, the directors received appropriate and timely information to enable them discharge their governance and oversight roles.

Induction and training

In recognition of the importance of the provisions of Mwongozo for effective leadership and management of the Authority, the Authority's Board participated

in an induction programme within two months after their appointment. In addition, directors participated in trainings for enhanced capacity during the financial year ended 30th June 2018 including; Risk Management, Corporate Governance trainings and women in leadership conference.

Board and member Performance

The Authority's Board undertakes annual performance evaluation which is facilitated by the State Corporation Advisory Committee (SCAC). The performance evaluation exercise covers the Board as a whole, the Chairman, individual Board members and the Chief Executive Officer. The performance evaluation exercise for the financial year ended 30th June 2016 was conducted in April 2017 whereas evaluation for the financial year ended 30th June 2017 is scheduled to place in October 2017.

Conflict of Interest

Before commencement of board meeting's agenda deliberations, the members are accorded an opportunity to declare conflict of interest if any. This is meant to ensure members objectivity in decision making. During the financial year ended 30th June 2018 no conflict of interest was declared by directors.

Board Remuneration

Authority's Board remuneration and benefits during the financial year ended 30th June 2018 was as follows;

Type of payment	Chairman (Ksh.)	Member (Ksh.)
Honoraria (per month)	80,000	-
Sitting allowance (per sitting)	20,000	20,000
Airtime - Mobile phone (per month)	7,000	-
Transport allowance/ Mileage	Reimbursement is based on actual mileage at the prevailing AA rates	Reimbursement is based on actual mileage at the prevailing AA rates
Lunch Allowance (in lieu)	2,000	2,000
Accommodation allowance	18,200	18,200

Ethics and Conduct

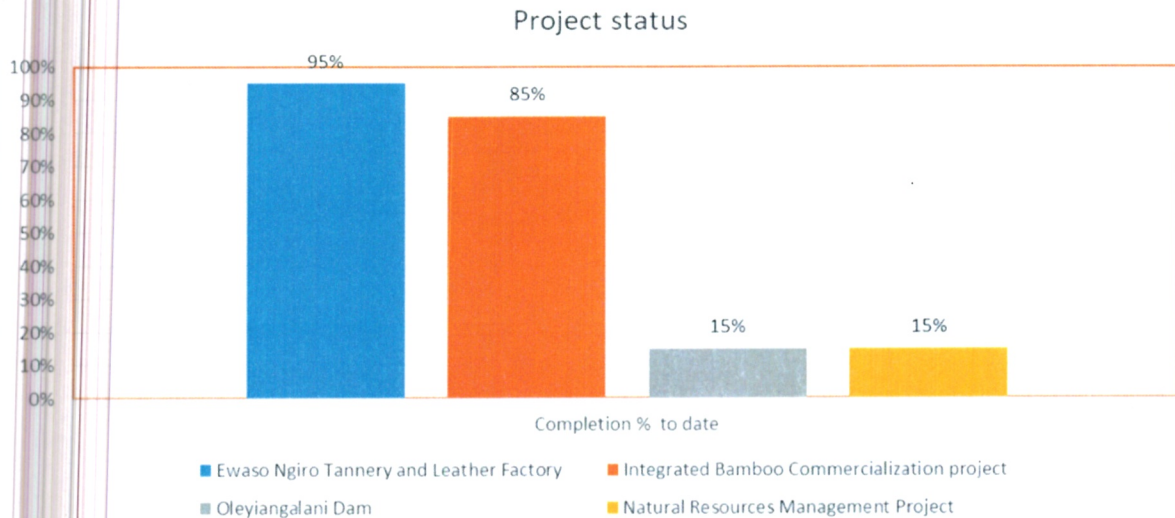
The Code of Conduct and Ethics for State Corporations (SCs) as contained in Mwongozo: The Code of Governance for State Corporations defines the standards of behaviour required to be observed by Board members. The main focus is on ethical conduct and integrity at the work place. Pursuant to the provisions of Executive Order No. 7, issued by H.E. The President on 25th March, 2015 and Performance Contracting obligation for Financial Year 2015/16, the Authority's Board committed that they shall comply and implement the provisions of MWONGOZO: Code of Governance for State Corporation.

Governance Audit

The Authority's Board is subject to an annual governance audit in consultation with State Corporations Advisory Committee (SCAC).

With the advice of SCAC, the governance audit exercise for financial year 2016/2017 is yet to be conducted.

Project Status 2017 - 2018



MAJOR RISKS FACING THE AUTHORITY

Risk management has grown to be a serious concern for every organization since the operational environment is often uncertain. Because risk is inherent in the Authority's operations. In the year we conducted and addressed several risks to ensure that the Authority achieve its objectives. The Authority faced the following risks in the course of operations through the year;

- i. **Legal Risk-** the Authority is legislated by Cap 447 of the Laws of Kenya. With the new constitutional dispensation, some functions were devolved to the County Governments. In absence of a revised legislation aligned with the Constitution of Kenya, potential conflicts may arise between the Authority and other Government agencies in case of inconsistency of the Act with the current Constitution.

To mitigate this, the Authority is fast tracking the review of the Act.

- i) **Environmental Risks** - in the current financial year the Authority implemented diverse projects ranging from water harvesting and storage programs, catchment conservation, bamboo commercialization and value addition project and agro-processing. The projects are dependent on climatic and environmental factors for example the rainfall patterns. The Authority's area of jurisdiction being semi-arid, climatic change and adverse weather conditions has continued to adversely affect the region and the intended impact of projects to beneficiaries may be hampered.

The Authority has implemented a robust environmental management strategies and adopted programs to mitigate the same.

- ii) **Sustainability risks** - Most of the projects implemented by the Authority are usually handed over to communities who then operate, maintain and even upscale the project where possible. However, due to lack of capacity of the communities to operate such projects sustainably, the projects are normally faced with sustainability risks. Also, some projects particularly water and environmental conservation projects are faced with threats of human wildlife conflict as most parts of the region have wildlife.

To mitigate such risks the beneficiary communities are usually trained on operation and maintenance and management committees strengthened. However, in wildlife areas the Authority collaborated with relevant agencies to minimise such incidences.

To achieve sustainability, the Authority should implement diverse income generating projects to enhance levels of internally generated funds. However, due to inadequacy of resources allocated by the exchequer the Authority may take longer time to achieve financial sustainability hence potential liquidity risks in the event of delay in release of budgetary allocation.

To mitigate on such risk, the Authority is giving priority to projects that will enhance revenue generation such the Tannery and Leather factory, Bamboo commercialization and Narok natural resources data centre projects. In addition, aggressive resource mobilization through PPP has been prioritized.

- iii) **Technological Risks** - With technological advancements, there are higher risks of information shared on web based platforms. In the year there were uncertainties as to the security of the Authority's information shared on various platform, posing the risk of compromising confidentiality of information shared through platforms like websites, data banks and social media.

The Authority is focused towards strengthening all its automated processes through the use of internal and external firewalls, encryption of data and establishing secure channels of data processing and sharing.

- iv) **Liquidity Risks** -In the current financial year the Authority implemented capital projects such as water harvesting, Bamboo commercialisation and construction of Tannery and leather factory which are continuing projects that depends on the National government on funding for their next phases. There instances where there is delayed funding impacting negatively on the project funding.

The Authority is currently liaising with Parent Ministry and the National Treasury with a view of addressing the situation through a forward cash flow plan.

COMPLIANCE WITH STATUTORY REQUIREMENTS

In the financial year ended 30th June 2018, the Authority endeavored to comply with the Constitutional provision and other statutory obligations. The Authority endeavoured to comply with Procurement requirements that 30% of all procurement are reserved for the youth and women and that 2% of that goes to People with Disabilities

Further, in the year ended June 30th 2018 the Authority observed the legal requirement in respect to submission of statutory deductions (PAYE, Pension, NSSF, NHIF, HELB) and other relevant taxes. During the period under review, no unclaimed financial asset was reported.

In addition, the Authority did comply with the Public Procurement Act and Disposal by carrying out the following;

- i. Developed a procurement plan and submitted a copy to PPOA through e-procurement platform by 31st August 2017 in the format provided
- ii. Submitted all quarterly procurement plan implementation reports to PPRA in the format provided in the website, www.tenders.go.ke

During the FY 2017/2018, the Authority implemented the following in compliance to disability mainstreaming:

- iii. Implemented Government policy on affirmative action for persons with disabilities by ensuring that at least 5 % of the employees are PWDs
- iv. Ensured physical improvement of facilities for accessibility
- v. Carried out an accessibility audit for persons with disabilities
- vi. Held a staff sensitization workshop on Disability Mainstreaming
- vii. Applied for a certificate from the National Council for Persons with Disabilities
- viii. Submitted quarterly reports to National Council for Persons with Disabilities in the prescribed format

In FY 2017/2018 the Authority carried out the following activities in compliance with Gender mainstreaming:

- i. Implemented Government policy on gender mainstreaming, including compliance with one third rule on appointments, promotions and employment in the public service, as per the Constitution

- ii. Held one workshop to sensitize staff on Gender mainstreaming policy and workplace policy on Gender Based Violence
- iii. Carried out gender audit of the institution headquarters and basin offices
- iv. Submit quarterly reports to NGEC

VI. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Authority is committed to improving livelihoods and undertakes social economic programs in the river basin by creating an enabling environment for economic growth and ensuring sustainable and equitable development through optimum utilization, coordination and management of resources for enhanced quality of life. Towards this the Authority implements core mandate programmes and projects.

However, during the financial year 2016/17 the Authority undertook various Corporate Social Responsibility activities in environmental conservation, water and sanitation, Health, Education and Sports as outlined below.

The specific activities and beneficiaries undertaken under CSR include the following:

- Donation of 500 tree seedlings to Kakeya/Sampurrumpur Afforestation group for the conservation of the catchment that periodically leads to the flooding of Narok Town.
- Donation of 1,000 assorted tree seedlings to schools, namely, Isinoni, Iltumtum, Poroko, and the Narok County Natural Resource Network.
- Participation in the World Environment Day and the Mara Day Cerebration where the Authority showcased the importance of conservation of the Mau and Mara River catchments.
- Participation in the cleaning of 50 Km stretch of Narok River. This was done in collaboration with stakeholders, namely the Ministry of Environment and Natural Resources, NEMA, WRMA, and the Narok County Government.
- Participation in the day of African child celebration marked at Suswa Primary School. The Authority partnered with stakeholders to contribute foodstuffs to over 300 vulnerable children.
- Participation in the World AIDs day on 1st December 2016. The Authority enhanced awareness on HIV and AIDs through donation of branded materials (T-shirts and Caps) with a message to reach out to members of the society.

- Provision of clean drinking water and social amenities for school, health centre and the community around Paranai borehole, Kajiado County. Before the intervention by the Authority, the community had to walk many kilometers in search of water both for livestock and human consumption thus affecting the school going children.
- Participation in the 2nd AK (Athletic Kenya) South Rift Region Marathon that was held in Trans Mara sub-county. The Authority contributed food staff, drinking water, and tree seedling that were planted to conserve the environment
- Donation of relief food to over 300 household to mitigate the effect of drought in Kajiado County.



Youths perform the task of cleaning Narok River



ENSDA MD (Mr. Sammy Naporos) & Director Beatrice Kerei distributing Relief Food at Ilmotioo Kajiado West Constituency Kajiado County

VII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the Authority's affairs.

Results

The results of the entity for the year ended June 30, 2018 are set out on page 46 to 52

Directors

The members of the Board of Directors who served during the year are shown on page ix-xvii. During the Financial Year 2017/2018, there were no resignations or retirement of Board members. There were also no new appointments to the Board

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

CORPORATE SECRETARY

Date: 28.9.2018

REPUBLIC OF KENYA

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E-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON EWASO NG'IRO SOUTH RIVER BASIN DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Ewaso Ng'iro South River Basin Development Authority set out on pages 37 to 79 which comprise the statement of financial position as at 30 June 2018, and the statement of financial Performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, 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, the financial statements present fairly, in all material respects, the financial position of as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with the Ewaso Ng'iro South River Basin Development Authority Act, Cap 447 of the Laws of Kenya.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Ewaso Ng'iro South River Basin Development Authority in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Report of the Auditor-General on the Financial Statements of Ewaso Ng'iro South River Basin Development Authority for the year ended 30 June 2018

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 governance were not effective.

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards 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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the or to cease operations, or have no realistic alternative but to do so.

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but

is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and 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 or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of Ewaso Ng'iro South River Basin Development 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 management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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

Nairobi

06 May 2019

VIII. STATEMENT OF FINANCIAL PERFORMANCE AS AT 30TH JUNE 2018

	Note	2017-2018	2016-2017
Revenue from non-exchange transactions	1	KShs	KShs
Transfers from the governments- Recurrent Grant		312,991,291	191,491,291
Transfers from the government- Development Grant		259,375,000	484,500,000
Drought Mitigation programme Grant		0	142,000,000
Total revenue from non-exchange transactions		572,366,291	817,991,291
Revenue from exchange transactions (AIA)	2	18,172,057	10,733,787
Total revenue		590,538,348	828,725,078
Adjusted for ; Deferred income	19	-345,749,068	(330,507,009)
Total Net revenue		244,789,280	498,218,069
Expenses			
Employee costs	3	140,650,314	90,343,962
Remuneration of Directors	4	21,871,862	18,066,223
Depreciation and amortization expense	5	17,271,234	14,748,060
Repairs and maintenance	6	2,990,511	3,535,254
Contracted services	7	6,235,200	3,821,200
Development expenses	8 (a)	22,398,064	158,298,680
Drought Mitigation programme	8 (b)	3,481,470	140,263,459
Administration Expenses	8 (c)	84,500,472	56,675,306
Total expenses		299,399,127	485,752,145
ADD-Gain on sale of assets	9	0	33,000
Total other gains		0	33,000
Surplus before Tax		-54,609,847	12,498,924
Taxation	10	0	0
Surplus for the period		-54,609,847	12,498,924

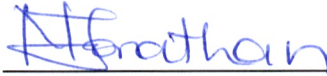
IX. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	2017-2018	2016-2017
Assets		KShs.	KShs.
Current assets			
Cash and Cash Equivalents	11	168,220,062	293,293,245
Work In Progress	12	555,491,711	271,347,652
Receivables from exchange and non-exchange transactions	13	19,218,552	2,246,200
Prepayments	14	3,097,043	5,191,291
Inventories	15	14,084,876	16,728,230
Total Current Assets		<u>760,112,243.65</u>	<u>588,806,618.00</u>
Non-current assets			
Property ,Plant and Equipment	16	352,944,652	291,156,623
Biological Assets	17	30,700,000	97,700,000
Total non - current assets		<u>383,644,652</u>	<u>388,856,623</u>
Total assets		<u>1,143,756,896</u>	<u>977,663,241</u>
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	18	190,245,021	243,266,845
Total current liabilities		<u>190,245,021</u>	<u>243,266,845</u>
Non-current liabilities		0	-
Total liabilities		<u>190,245,021</u>	<u>243,266,846</u>
Net assets		<u>953,511,875</u>	<u>734,396,395</u>
Capital Reserves			
Accumulated Development Fund	20	63,563,380	80,834,614
Surplus		-42,110,923	12,489,924
Revaluation Reserves	22	288,603,190	310,555,848
Deferred Income	19	643,456,228	330,507,009
Total net assets		<u>953,511,875</u>	<u>734,387,395</u>
Total net assets and liabilities		<u>953,511,875</u>	<u>734,396,395</u>

The Financial Statements set out on pages 37 to 42 were signed on behalf of the Board of Directors by:



C.E.O.
NAME: SAMMY NAPOROS



HEAD OF FINANCE
NAME: JONATHAN LEYIAN
ICPAK MEMBER NO: 22633



CHAIRMAN OF THE BOARD
NAME: SELEILA OLE MWANIK

DATE: 19.02.2019

DATE: 19.02.2019

DATE: 19.02.2019

XI. STATEMENT OF CHANGES IN NET ASSETS AS AT 30TH JUNE 2018

	Accumulated Development Fund	Revaluation Reserve	Surplus/Deficit	Deferred Income	Total
Balance as at 1 July 2016	<u>175,815,416</u>	<u>348,320,517</u>	<u>45,352,912</u>		<u>569,488,845</u>
	-	-	-	=	-
Surplus/Deficit for the period	<u>175,815,416</u>	<u>348,320,517</u>	<u>45,352,912</u>		<u>524,135,933</u>
Transfers to/from accumulated surplus	-	-	-	=	-
Revaluation gain	-	-37,764,670	45,352,912	-	-37,764,670
	-	-	12,498,924	-	12,498,924
Capital reserves	-94,980,802	-	-	-	-94,980,802
Balance as at 30 June 2017	-	-	-	330,507,009	330,507,009
	<u>80,834,614</u>	<u>310,555,848</u>	<u>12,498,924</u>	<u>330,507,009</u>	<u>734,396,395</u>
Balance as at 1 July 2017	<u>80,834,416</u>	<u>310,555,848</u>	<u>12,498,924</u>	330,507,009	<u>734,396,395</u>
	-	-	-	=	-
Prior year adjustment	-	-44,476,329	-58,905,443	-	
Surplus for the period	-	-	-	-	
Accumulated depreciation and disposal on revaluation	-17,271,432	-	-	-	
Deferred Income for the year	-	-	-	338,579,479	
Balance as at 30 June 2018	<u>63,563,380</u>	<u>266,079,519</u>	<u>-46,406,270</u>	<u>669,086,485</u>	<u>952,323,114</u>

XII. STATEMENT OF CASH FLOWS AS AT 30 JUNE 2018

Cash flows from operating activities	NOTES	2017-2018	2016-2017
Cash receipts from GOK Grants REC		312,991,291	191,491,291
Cash receipts from GOK DEV		259,375,000	484,500,000
Cash receipts from GOK PANS & DAMS		0	142,000,000
Cash receipts from (A I A)		18,172,057	10,733,787
Total receipts		590,538,348	828,725,078
Cash paid to suppliers		(172,959,138)	-151,663,698
Cash paid to Board Members	4	(21,871,862)	-18,066,223
Administrative	8 (c)	(84,500,472)	-56,302,242
Cash paid to employees	3	(140,650,314)	-90,718,027
Net cash flow from operating Activities		170,556,562.40	<u>511,974,888</u>
Cash flows from investing activities			
Disposal of Assets	2	0	2,283,000
Acquisition of Assets	16	0	-21,385,948
Work in progress	12	(295,629,745.40)	-271,347,652
Net cash flow from investing Activities		(295,629,745.40)	-290,450,600
Net increase in Cash and Cash Equivalents		(125,073,183.00)	221,524,288
Cash and Cash Equivalents at beginning of period		293,293,245.00	71,768,957
Cash and Cash Equivalents at the end of the period	11	<u>168,220,062.00</u>	<u>293,293,245</u>

XIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AS AT 30TH JUNE 2018

	Original Budget	Adjustment	Final Budget	Actual	Variance	REMARKS
	KShs.	KShs.	KShs.	KShs.	KShs.	
REVENUE						
Recurrent Grant	242,991,291	71,500,000	314,491,291	312,991,291	1,500,000	
Development Grant	121,875,000	137,500,000	259,375,000	259,375,000	-	
Appropriation In Aid	8,500,000	-	8,500,000	16,459,783	7,959,783	Increase in sales
Total income	373,366,291	209,000,000	582,366,291	588,826,074	-6,459,783	
EXPENSES						
Recurrent & Administration						
Compensation of employees	111,246,111	46,729,253	157,975,364	140,650,314	17,325,050	
Administration costs	111,245,180	-25,000,000	86,245,180	84,500,473	1,744,708	
Remuneration of Directors	15,044,000	8,044,000	23,088,000	21,871,862	1,216,138	
Repairs and maintenance	1,500,000	4,099,999	5,599,999	2,990,511	2,609,488	
Contracted services	5,000,000	2,000,000	7,000,000	6,235,200	764,800	
Development Expenses						
Ewaso Ngiro Leather Factory	167,000,000	137,500,000	304,500,000	343,867,700	39,367,700	
Integrated Bamboo	16,000,000	-	16,000,000	16,033,966	33,966	
Oleyiangelani Dam	-	-	-	-	-	
Narok Open Data Centre	-	-	-	-	-	
TOTAL EXPENDITURE	427,035,291	173,373,252	555,283,543	600,531,372	45,247,829	
SURPLUS FOR THE PERIOD	-53,669,000	35,626,748	27,082,748	-41,993,000	38,788,046	

XIV. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Ewaso Ngiro South River Basin Development Authority was formed on 1989 by an Act of Parliament CAP 447 of the Laws of Kenya. At Cabinet level, Ewaso Ngiro South River Basin Development Authority is represented by the Cabinet Secretary for Ministry of Devolution and Planning. The Cabinet Secretary is responsible for the general policy and strategic direction of the Authority.

The principal activity of Ewaso Ngiro South River Basin Development Authority is to plan, coordinate and implement development projects within its area of jurisdiction.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2017

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	The Authority adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the Authority.
IPSAS 34: Separate Financial Statements	The Authority does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.
IPSAS 35: Consolidated Financial Statements	Effective for annual periods beginning on or January 1, 2017 The Authority does not have any subsidiaries , joint ventures or investments and therefore the standard does not apply
IPSAS 36: Investments in Associates and Joint Ventures	The Authority does not have investments in associates or joint ventures and therefore the standard does not apply
IPSAS 37: Joint Arrangements	The Authority does not have an interest in a joint arrangement and therefore the standard does not apply.
IPSAS 38: Disclosure of Interests in Other Entities	The Authority does not have an interests in other entities and therefore the standard does not apply.

ii. Early adoption of standards

The Authority adopted first time accrual IPSAS and implemented relevant applicable standards. IPSAS 39 and 40 will be implemented within the provided timelines of 1st January 2018 and 1st January 2019 respectively.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii Revenue from exchange transactions

Rendering of services

The entity recognizes revenue from rendering of services when revenue can be measured reliably, it is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the stage of completion of the transaction at the reporting date can be measured reliably.

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.

Receivables from exchange and non-exchange transactions

i) Receivables from exchange transaction

Revenue arising from exchange transactions and events (rendering of services, sale of goods, and use of entity assets yielding interest) not yet received as at the close of the financial year is recognized as receivables from exchange transaction.

This is measured at the fair value of the consideration to be received.

ii) Receivables from non-exchange transactions

The Authority receives grants from the government based on approved annual budgets and printed estimates. At the close of the financial year, where commitments were made towards services or goods and the equivalent funding has not been received, the outstanding grant is recognized as a receivable from non-exchange transaction. The government grant is recognized as a receivable when there is reasonable assurance that the grant will be received, and that the entity will comply with the conditions attached to the grant.

iii) Prepayments

Where the contribution already paid exceed the contribution due for service at the reporting date, the excess amount is recognized as an asset to the extent of the prepayment. The future payment will be reduced by the prepayment amount.

b) Budget information

The Authority's budget is prepared on accrual basis which is the same basis applied in the recognition of the actual income and expenditure disclosed in the financial statements. The original budget for FY 2016-2017 was approved by the Board on 30th June 2016. 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. Accordingly, the entity recorded additional appropriations of Ksh. 142 Million on the 2016-2017 budget following the governing body's approval.

c) Taxes

Current income tax

Current income tax liabilities for the current period are measured at the amount expected to be paid or remitted to the taxation authorities. The tax rates and tax laws used to compute the tax liability are consistent with those enacted, at the reporting date in the area where the entity operates.

Deferred tax

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

d) Property, Plant and Equipment

All property, plant and equipment are stated at revalued amounts whereas assets acquired after revaluation are stated as cost (including expenditure that is directly attributable to the acquisition of the items) on acquisition. Where an asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

Where an asset is acquired through construction or structured procurement process, the costs relating to the processes are accumulated and debited to the Work In Progress account. Work In Process comprises of all direct costs incurred in constructing an asset or acquisition of machinery including buying, transporting, installing, and testing the machinery or equipment. Once an asset is placed in service, all costs associated with it as recorded in the work in progress account are moved to the respective fixed asset account e.g building or machinery.

Once the assets are placed in service and moved to their final fixed asset account, depreciation commences.

Revaluations shall be made periodically, after every 5 years, to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

Motor vehicle	25%
Furniture, fitting and Equipment	12.5%
Buildings Permanent Non Residential	2%
Buildings Semi Permanent Non Residential	12.5%
Buildings Permanent Residential	2%
Computers and related accessories	30%
Loose Tools	33.33%

e) Leases

The Authority has operating leases under leasehold land. Operating lease payments are recognized as an operating expense in the statement of financial performance on a straight-line basis over the lease term.

f) Intangible assets

Intangible assets are initially recognized at cost. Intangible assets acquired in a non-exchange transaction are recognised at their fair value at the date of the acquisition. 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 the statement of financial performance 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:

- i. The technical feasibility of completing the asset so that the asset will be available for use or sale
- ii. Its intention to complete and its ability to use or sell the asset
- iii. How the asset will generate future economic benefits or service potential
- iv. The availability of resources to complete the asset

v. The ability to measure reliably the expenditure during development

Initial recognition of 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 the statement of financial performance.

g) 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)

During the FY2016/2017 the Authority did not have any financial instruments.

h) 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:

- i. Raw materials: purchase cost using the weighted average cost method
- ii. 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.

i) Provisions

Provisions are recognized by the Authority when it 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.

Contingent liabilities

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

Contingent assets

The Authority does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority in the notes to the financial statements. Contingent assets are assessed continually to ensure that development 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.

j) Nature and purpose of reserves

The Authority creates and maintains reserves in terms of specific requirements. The Authority maintains revaluation reserves that results from revaluation of property, plant and equipment, land and biological assets. Gains on revaluations are transferred to the revaluation reserves while loss on revaluation is expensed in the statement of financial performance.

Where a revalued asset is subsequently valued down due to impairment, the loss is first written off against any balance available in the revaluation surplus and if the loss exceeds the revaluation surplus balance of the same asset the difference is charged to income statement as impairment.

k) Changes in accounting policies and estimates

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

l) Employee benefits

Retirement benefit plans

The Authority provides non-discriminatory retirement benefits for its employees. The Authority has a defined contribution scheme under which both the employees and the Authority contributes fixed amounts at the ratio of 1:2. Under this arrangement, the Authority 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.

m) 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

n) 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.

o) Related parties

The Authority recognises a person or an entity with the ability to exert control individually or jointly, or exercise significant influence on the operations of the entity as a related party. The Board of directors, key management comprising of the Chief Executive Office and Chief Managers are regarded as related parties.

p) 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.

q) Comparative figures

The Authority provides audited comparative figures for the previous financial year to conform to the required changes in presentation. Where necessary comparative figures for the previous financial year are amended or reconfigured to conform to the required changes in presentation.

r) Biological Assets

The Biological Assets (Tea Bushes) are valued at fair value over economic life duration of lease of the land under tea bushes in line with IPSAS 27.

s) Work in Progress -IPSAS 11

This relates to construction of long term assets. Construction Work in Progress is recorded at the accumulated costs incurred until the asset is put into service. Costs are recognised in proportion to the stage of completion of contract activity.

i) SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In preparation of the financial statements, the Authority's 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. The Authority bases its assumptions and estimates on parameters available when the financial statements are prepared. 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.

The Authority makes judgement, estimates and assumptions in the following areas;

- i. Provision for litigations
- ii. Provision for bad debts
- iii. Inventory obsolescence

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

The Authority makes provisions based on the information available and management's best estimate of the expenditures required to settle the obligation at the reporting date. The Authority makes provisions for areas including bad debts and litigations and inventory obsolescence. Additional disclosure of these estimates of provisions is included in Note 5

t) Subsequent events

The Authority recognises events both favourable and unfavourable after the reporting date as subsequent events. During the F/Y 2017 2018, the Authority had a prior year adjustments of accumulated depreciation amounting to Ksh. 60,801,783 that was not accounted under PPE following revaluation of assets. This omission therefore overstated the PPE values by the same amount. However, correction has been made and correct values of PPE has been captured

1. a) Revenue from non-exchange transactions/ Transfers from other governments

The Authority receives grants from the Parent Ministry of Devolution and Planning for Personnel Emoluments and implementation of capital projects. Recurrent grants are used to finance personnel emoluments and general administrative expenses whereas Development grants are used to finance capital projects. In F/Y 2017/2018, cumulatively, the Authority received Ksh. 572,366,290.75 compared to Ksh. 817,991,291 for F/Y 2017/2018 representing.

Revenue from non-exchange transactions	2017-2018 Shs	2016-2017 Shs
Transfers From the government		
Unconditional grants		
Development Grant	259,375,000	484,500,000
Recurrent Grant	312,991,290.75	191,491,291
Drought Mitigation Grant		142,000,000
Total government grants	<u>572,366,290.75</u>	<u>817,991,291</u>

1 b) Transfers from Ministries, Departments and Agencies

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs.	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2016-2017 KShs
Ministry of Devolution and Planning	244,789,280	345,749,068	-	572,366,290.75	817,991,291
Total	244,789,280	345,749,068	-	572,366,290.75	817,991,291

2. Revenue from exchange transactions

The Authority generates revenue from sale of products such as green tea, horticultural products, tree seedlings and technology transfer services from income generating projects. In F/Y 2017/2018, the Authority generated Ksh. 18,172,057 against Ksh. 10,733,787 in F/Y 2016/2017 registering a remarkable increase.

	2017-2018	2016-2017
Sale of Green Tea	12,335,982	7,867,496
Sale of Horticultural products	1,602,665	547,391
Sale of Tree Seedlings	0	27,900
Other income	1,707,552	2,283,000
Other income (Milk Chilling & Bulking)	2,523,298	8,000
Total other income	18,172,057	10,733,787

3. Employee Costs

These are costs paid to staff as basic salaries, wages, allowances, pension contributions paid to defined pension schemes and gratuity paid to staff on expiry of contracts. In F/Y 2017/2018, the Authority incurred employee costs amounting to Ksh. 140,650,314 compared to Ksh. 90,343,962.

Employee costs	2017-2018	2016-2017
Basic Pay	85,421,970	51,384,242
House Allowance	14,030,500	13,011,800
Acting Allowance	3,375,300	1,746,651
Benefit (Airtime)	2,233,740	2,034,500
Commuter Allowance	8,785,000	8,096,000
Leave Allowance	730,000	970,800
Medical Allowance	1,363,500	1,553,950
Other Allowance	2,532,824	1,687,660
Pension Contribution	17,432,709	7,697,343
NSSF Contribution	285,400	272,200
Gratuity	4,007,412	1,689,396
MD's House Servants	278,781	199,420
Transfer allowances	173,178	
Employee costs	140,650,314	90,343,962

4. Remuneration of Directors

Board of Directors offer oversight on governance and are mandated to hold four meetings in a year, one in every quarter. During the meetings, allowances payable to Board of Directors are Sitting Allowance at the rate of Ksh. 20,000, Night out allowance at Ksh. 18,200, Lunch allowance at Ksh. 2,000 and Mileage at the prescribed AA rates. During F/Y 2017/2018, the Authority incurred Ksh. 21,871,862 compared to Ksh. 18,060,223 in the previous year

Remuneration of Directors	2017-2018	2016-2017
Chairman's Honoraria	1,044,000	1,044,000
Directors emoluments	20,827,862	17,022,223
Total director emoluments	21,871,862	18,066,223

5. Depreciation Expense

The Authority depreciates its Property, Plant and Equipment (PPE) using reducing balance method of depreciation applying different rates on different classes of PPE as stated on Note 4(d) of the accounting policies. In F/Y 2017/2018, depreciation expense was **Ksh. 17,271,234** as detailed below.

	2017-2018	2016-2017
Depreciation Expense	Ksh.	Ksh.
Motor Vehicle	6,706,776	6,215,034
Furniture , Fitting & Equipment	1,979,772	2,262,596
Buildings	3,556,852	3,937,290
Computers & Related Accessories	1,862,733	2,285,077
Loose Tools	31,769	48,063
Agricultural-Shonkoe Teabushes	1,333,333	
Agricultural-Keyian Teabushes	1,800,000	
Total depreciation	17,271,234	14,748,060

6. Repairs and Maintenance

The Authority undertakes scheduled repairs on Property, Plant and Equipment (PPE). In F/Y 2017/2018 an expenditure of Ksh. 2,990,511 had been incurred.

	2017-2018	2016-2017
Repairs and maintenance	Shs.	Shs.
Maintenance of Furniture's & Buildings	-	536,022
Vehicles	2,990,511	2,999,232
Total repairs and maintenance	2,990,511	3,535,254

7. Contracted Services

The Authority outsources Security and team building services. In the previous year, these services were offered at the Headquarters only, but in F/Y 2016/2017 the services were extended to the branch (sub-basin) offices.

Contracted services	2017-2018	2016-2017
Security services	6,235,200	2,671,800
Team Building services	-	1,149,400
Total contracted services	6,235,200	3,821,200

8 (a). Development costs

These costs relate to capital projects undertaken by the Authority with the goal of improving livelihoods for socio-economic development as comprehensively discussed under the Management Discussion and Analysis. In the FY 2017/18, Under Ewaso Ngiro Leather Factory and Bamboo commercialization and value addition the Authority spend kshs. **22,398,064**

Development Expenses		2017-2018	2016-2017
I.	Ewaso Ngiro leather factory	2,595,777	16,846,468
II.	Integrated Bamboo	19,802,287	37,374,308
III.	Olkejuado Multipurpose Dam		28,753,356
IV.	Nkorienito Dam		30,513,921
V.	Olooltepes Dam		44,810,627
Total Dev. Expenses		22,398,064	158,298,680

8 (b). Drought Mitigation Programme

The Authority received a special fund under the National drought emergency response programme to mitigate severity of the drought by enhancing levels of access to water through rehabilitation and construction new of boreholes within the area of jurisdiction. A total number of 34 boreholes and 4 water pans were rehabilitated and equipped during the F/Y 2016/2017

	2017-2018	2016-2017
Drought Mitigation Programme	3,481,470	140,263,459

8 (c). Administration Expenses

Administration Expenses	2017-2018	2016-2017
General office Supply	1,104,202	3,160,594
Insurance (Medical cover)	19,462,409	15,999,748
Insurance (General cover)	4,772,183	3,994,527
Workmen Compensation	0	-
Travel and Accommodation	1,556,500	142,010
Casual labour	757,550	373,065
Finance and stewardship	3,253,100	4,301,207
Work Environment	8,174,770	5,022,523
Competency Development	4,391,477	7,679,875
Internal Processes and system audit	1,269,400	
Performance Contract & Budgeting	5,297,887	4,211,932
ISO	1,436,040	1,658,420
Leased premises	250,000	
Legal Awards	1,341,340	197,200
Hospitality Supplies and service	6,273,490	2,382,360
Postage Services	82,823	69,037
Printing and stationery	175,706	275,816
Fuel & Lubricants	4,753,764	4,903,137
Water & Sewage treatment costs	86,040	83,125
Subscription to Newspaper	96,120	108,120
Electricity service	599,837	719,027
Sanitary/cleaning Materials	0	60,786
Loss on Disposal	0	750,000
Bank charges	142,614	202,797
Research & Development	972,920	
ICT Development	5,014,328	
Publicity	2,928,601	380,000
Regional Coordination	4,279,073	
Strategic Plan	3,952,853	
Provision for Audit fee	0	
Internship Allowances	1,397,275	
Staff wellness	301,510	-
Monitoring Evaluation	376,660	
Total Admin. Expenses	84,500,472	56,675,306

9. Gain on disposal of assets

In the FY 2016/2017, the Authority disposed an old motor vehicle with a Net Book Value of Ksh. 800,000.00 at Ksh. 833,000.00 realizing a gain of Ksh. 33,000. There was no disposal of assets in the FY 2017/2018.

Gain on sale of assets	2017-2018	2016-2017
Property, plant and equipment	0	33,000
Total gain on sale of assets	0	33,000

10. Taxation

The Authority is a Non-Commercial Parastatal exempted from taxes hence the tax liability is nil for the two financial years.

	2017-2018	2016-2017
Taxation		
Current income tax:		
Current income tax charge	-	-

11. Cash and Cash equivalents

The Authority's cash and cash equivalents are cash held at hand and banks. In F/Y 2017/2018, the closing balance was Ksh. 168,220,061 which relates to commitment towards payables and deferred income on ongoing capital projects.

Cash and Cash Equivalents	2017-2018	2016-2017
Kenya Commercial Bank	79,598	5,878
National Bank	159,268,490	283,958,580.50
Co-operative Bank	8,871,973	9,328,786
Total Cash and Cash Equivalents	168,220,061	293,293,245

Bank	Account no	Cash book balance
Development	Nbk-01003041548101	89,130,040
Reccurent	Nbk-01003041548100	68,811,085
Economic stimulus program	Nbk-01003041548104	855,100
Farm	Nbk-01003041548102	429,563
Comiform	Nbk-01003041548101	36,926
Nakuru sub basin	Nbk-01003041548105	5,777
Kilgoris savings sub basin	Coop-01141018229500	6,825,966
Kilgoris	Coop-01141018229501	1,997,361
Malewa	Coop-01141018229503	8,703
Kajiado	Coop-01141018229502	39,943
Loitoktok	Kcb-1132205514	79,598
Total		168,220,061

12. Work In Progress

This relates to costs incurred on ongoing works for capital projects: Ewaso Ngiro Tannery and Leather Factory (Construction of the factory building Procurement of, Tannery machinery and construction of Effluent Treatment Plant (ETP), office block and ICT development. The total WIP as at close of FY 2017-2018 was Kshs. 555,491,711 compared to previous years of Kshs. 271,347,652.

Work In Progress	2017-2018	2016-2017
Ewaso Ngiro Leather Factory- Tannery Building	103,912,448	103,912,448
Office block C	17,706,520	0
Tannery ETP	193,289,742	48,881,624
Tannery Equipment's	148,191,975	118,553,580
Generator	8,335,464	0
Stabilizer	4,732,800	0
Tannery Branding	1,987,320	0
Installation of water solar system	43,308,616	0
Tannery -Electrical installation	10,983,692	0
Tannery Fencing	7,000,000	0
ERP Automation (ICT Development)	16,043,134	0
Total Work in Progress	555,491,711	271,347,652

13. Receivables from exchange and non-exchange transactions

The Authority realizes receivables at closure of the F/Y from its operations related to advances issued as imprest, sale of products and other debtors arising from other financial transactions. At the closure of the F/Y receivables amounted to Kshs.19,218,552

Receivables from exchange transactions	2017-2018	2016-2017
Sale of Bamboo seedlings (KVDA)	25,000	25,000
Toyota East Africa Limited	284,400	284,400
Outstanding Imprest	2,238,259	1,936,800
Sale of Milk	713,285	-
Receivables non- exchange transactions	0	-
GOK Development Grant	15,957,608	
Total Amount	19,218,552	2,246,200

14. Prepayments

At the close of the FY 2017/18, the Authority had prepayments of Ksh. 3,097,043 relating to ongoing contracted services on operating land leases rent, medical cover premiums, general insurance Cover on PPE and utilities deposits as detailed below.

Prepayments	2017-2018	2016-2017
Prepayment-Leases	510,000	408,000
Prepayment- AAR Insurance	1,617,896	1,665,553
Prepayment - Britam Insurance	304,167	1,426,350
Service ,water and electricity debtors	558,000	558,000
Total Kenya- Fuel	106,980	1,133,388
Total Prepayments	3,097,043	5,191,291

15. Inventories

The inventories are valued at the lower of cost or the net realizable value. As at the close of the financial year, inventories amounted to Ksh. 14,084,876 as compared to the FY 2016/17 closing balance of Ksh. 16,728,230.

	2017-2018	2016-2017
Tree seedlings (Bamboo)	13,258,453	13,448,382
Tea seedlings	0	2,500,000
Tree seedlings	826,423	604,960
Stores & inventory	0	174,888
Total inventories	14,084,876.00	16,728,230.00

16. Property Plant & Equipment

All assets are depreciated on reducing balance for every class through their existence. Assets disposed are not subjected to depreciation in the year of disposal.

PROPERTY, PLANT & EQUIPMENT – ASSET MOVEMENT SCHEDULE FOR YEAR ENDED 30 TH JUNE, 2018											
	LAND	M/V	FURNITURE	BUILDINGS	BUILDINGS	BUILDING	COMPUTERS	LOOSE	AGRICULTURAL PLANT		TOTAL
			FITTING & EQUIP.	PERMANENT NRS	SEMI PERM. NRS	PERM. RESIDENTIAL	& RELATED ACCESSORIES	TOOLS	SHANK OE	KEYIAN	KSH.
		25%	12.50%	2%	12.50%	2%	30%	33.30%			
	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.			KSHS.
Total assets as at 01/07/2017	<u>185,800,000</u>	<u>21,860,136</u>	<u>18,100,770</u>	<u>47,964,110</u>	<u>23,814,398</u>	<u>604,014</u>	<u>7,616,923</u>	<u>144,332</u>	-	-	<u>305,904,683</u>
Additions for year	-	<u>11,182,000</u>	-	-	-	-	<u>877,263</u>	<u>0</u>	-	-	<u>12,059,263</u>
Total assets	<u>185,800,000</u>	<u>33,042,136</u>	<u>18,100,770</u>	<u>47,964,110</u>	<u>23,814,398</u>	<u>604,014</u>	<u>8,494,186</u>	<u>144,332</u>	<u>40,000,000</u>	<u>27,000,000</u>	<u>384,963,946</u>
Acc depreciation	0	6,215,034	2,262,596	959,282	2,976,800	1,208	2,285,077	48,063	-	-	<u>14,748,060</u>
Dep for the year	0	6,706,776	1,979,772	940,097	2,604,700	12,056	1,862,733	31,769	1,333,333	1,800,000	<u>17,271,234</u>
Total depreciation		12,921,810	4,242,368	1,899,379	5,581,500	13,264	4,147,810	79,832	1,333,333	1,800,000	<u>32,019,294</u>
Net book values as at 30/06/2018	<u>185,800,000</u>	<u>20,120,327</u>	<u>13,858,402</u>	<u>46,064,731</u>	<u>18,232,898</u>	<u>590,750</u>	<u>4,346,376</u>	<u>64,500</u>	<u>38,666,667</u>	<u>25,200,000</u>	<u>352,944,652</u>

N.B

The Authority is expected to generate revenues from Keyian and Shonkoe tea estates for 15 years and 30 years respectively. The value of the tea bushes have therefore been amortized for the stated above periods. This is as per the revised IPSAS 40

PROPERTY, PLANT & EQUIPMENT - ASSET MOVEMENT SCHEDULE FOR YEAR ENDED 30TH JUNE, 2017

	LAND	M/V	FURNITURE	BUILDINGS	BUILDINGS	BUILDING	COMPUTERS	TOOLS	TOTAL
			FITTING & EQUIP.	PERMANENT NRS	SEMI PERM. NRS	PERM. RESIDENTIAL	& RELATED ACCESSORIES	TOOLS	KSH.
		25%	12.5%	2%	12.50%	2%	30%	33.3%	
	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.
T. ASSETS VALUES 30/6/2016	181,300,000	51,331,721	21,431,604	51,696,616	27,877,498	674,367	12,695,011	1,313,700	348,320,517
ADJUSTMENT FOR PRIOR YRS ACC.DEP	0	26,833,985	8,574,130	3,732,506	12,202,773	70,353	8,218,668	1,169,368	60,801,783
TOTAL ASSETS ADJUSTED FOR DEP.	181,300,000	24,497,736	12,857,474	47,964,110	15,674,725	604,014	4,476,343	144,332	287,518,734
ADDITIONS FOR YEAR	4,500,000	362,400	5,243,296	0	8,139,673	0	3,140,580	0	21,385,948
DISPOSALS FOR YEAR	0	(3,000,000)	0	0	0	0	0	0	(3,000,000)
TOTAL ASSETS AS AT 30/06/2017	<u>185,800,000</u>	<u>21,860,136</u>	<u>18,100,770</u>	<u>47,964,110</u>	<u>23,814,398</u>	<u>604,014</u>	<u>7,616,923</u>	<u>144,332</u>	<u>308,904,682</u>
DEPRECIATION FOR THE YEAR	0	6,215,034	2,262,596	959,282	2,976,800	1,208	2,285,077	48,063	14,748,060
NET BOOK VALUES AS AT 30/06/2017	<u>185,800,000</u>	<u>15,645,102</u>	<u>15,838,174</u>	<u>47,004,828</u>	<u>20,837,598</u>	<u>602,806</u>	<u>5,331,846</u>	<u>96,269</u>	<u>291,156,623</u>

17. Biological Assets

The value of biological assets are reflected in statements as per the professional valuer's estimates that was done in the financial year 2015/2016

	2017-2018	2016-2017
Olkalau trees	13,000,000	13,000,000
Tea bushes (Keyian & Shankoe)	0	67,000,000
Shartuka Trees	1,700,000	1,700,000
Narok Head Quarter Assets	16,000,000	16,000,000
Total Biological Assets	30,700,000	97,700,000

18. Trade and other payables from non-exchange transactions

NO	NAMES	ESP DESCRIPTION	AGING	AMOUNT
1	Enkisuma Sidai	Borehole Auxiliary works for Entarngotua, Keekonyokie.	1 Year 5 Months	299,202
2	Waterman Drilling	Drilling of Kisiriri, Osinoni, Senchura	11 Months	116,000
3	Enkejuemuny co. ltd.	Construction of Naishi Dam.	10 Months	2,775,689
4	Entaugh Enterprises Ltd.	Rehab of Olmerrui & Olelusie Water pan	1 year 2 months	805,969
5	Enkejuemuny co. ltd.	Entiyani Waterpan.	1 year 2 months	403,186
	Sub-totals			4,400,046
DEVELOPMENT CREDITORS		DESCRIPTION		
	NAMES DESCRIPTION			AMOUNT
1	Entaugh Enterprises Ltd.	Olkejuado Dam-Ruanje, Kilonito	1 Year 6 months	1,572,368
2	Soiyan General Supplies.	Oloika waterpan. Nrk East.	1 Year 6months	1,362,538

3	Equegen Enterprise Ltd.	Olooltepes Dam.	1 Year 6 months	815,145
4	Gemona Enterprises Ltd.	Olooltepes Dam-Esarunoto Kjd Est	1Year 6 months	1,644,175
5	Maji Africa Ltd. (3)	Drilling & Equiping of Kisiriri borehole.	1 2 months Months	568,645
6	Stewart Interntional Ltd	Fencing along the Tannery road	8 Months	700,000
7	Enkejuemuny co. ltd	Olkejuado Dam-Iloshon, Endoinyo enkerr, ilmarba	1 Year 4months	922,199
8	Centurion Engineers	Construction of ETP	1 year 2months	6,796,211
9	Far East Connection	Procurement of Tannery Equipment.	1 Year 8 Months	49,397,325
10	Solution General Limited	Installation of electricals to the Factory	12 Months	1,114,581
11	Moment contractors Ltd	Suppply Delivery, Installaton and testing 630KVA	1 Month	4,732,800
12	Contemporary Electrcals Enter.	Supply , delivery, Installaton and Testing standby generator	1 month	8,335,464
13	Jefferson Technologies	Branding of Projects	1 month	1,987,372
14	Masai Store Ltd.	Water works & Installation of solar power for Leather factory.	1 month	72,466,544
	Sub-totals			152,415,367

RECCURRENT GRANT CREDITORS				
1	Solution General Ltd.	Installation of Electricals materials to the factory	9 Months	977,704
2	KPLC	Electricoty Cost for the main office.	1 week	80,716
3	Bhogals Toyota-Narok	Repairs of Vehicles	3 months	1,106,796
4	Masada Hotel	Provision of Catering services.	1 week	162,000
5	Olkuragos group	Provision of milk to the Authority.	1 week	47,950
6	Nanana Shg	Provision of Catering services.	1 week	30,000
7	Postal Corporation	Courier & postage.	1 week	7,795
8	Salelo Company Ltd	Provision of tomatoes seedlings	1 week	417,000
9	Skymked Enterprises	Supply & Delivery of Stationeries	1 week	162,300
10	Simhub Solutions	Work environment -New office.	1 week	108,000
11	Lake Naivasha Simba Lodge	Provision of Catering services.	1 week	208,000
12	Dynamic Nav Systems	Supply, Delery, Installation & commissionin	2 months	3,945,000
13	Mara Frontiers Hotel	Provision of Catering services.	2 months	65,950
14	Narok cooffee house	Provision of Catering services.	1 week	8,050
15	Salary Arrears	Payment for staff arrears	2 weeks	11,511,574
16	Ministry of communication	Government Advertising Agency	6 months	1,851,249
17	Yukam Limited	Supply & Delivery of Furnture	1 month	8,495,074
18	Skywave Africa ltd	Landscaping(Varriation new Building)	1month	4,244,450
	SUB-TOTALS			33,429,608
	GRANT TOTALS			190,245,021

19. Deferred Income

The Authority recognises Government grants used to finance equity or acquisition of asset using the deferred income approach. The grants are recognized as a financing device and dealt with as such in the statement of financial position rather than be recognized in profit or loss to offset the items of expense that they finance. Since there is no repayment expected, such grants are recognized outside the statement of Financial Performance. In the financial year 2017/2018, the Authority deferred Ksh. 345,749,068 that was used to finance procurement of Tannery Equipment, construction of an Effluent Treatment Plant, motor vehicles and other assorted assets (land, furniture and buildings). The cost of the various assets acquired were as detailed on the table below,

	2017-2018	2016-2017
Tannery Equipment	0	197,707,160
Installation of the Electrical System Ewaso Ngiro Leather Factory	13,075,976	
Effluent Treatment Plant	144,408,118	100,000,000
Fencing of Factory Land	7,000,000	
Installation of water solar system	115,775,160	
Office block	21,950,970	
Software	13,150,000	
ICT Hardware	6,838,134	
Motor Vehicle	0	11,414,000
Other Assets (Land, Furniture's and Buildings) refers to note. 16	0	21,385,948
Tannery-standby Generator	8,335,464	
Tannery-stabilizer-630KVA	4,732,800	
Tannery-Branding	1,987,372	
Furniture	8,495,074	
Total deferred Income A/C	<u>345,749,068</u>	<u>330,507,108</u>

The deferred income movement is as follows:

	Kshs.	Total
Balance brought forward	330,507,108	330,507,108
Additions(FY 17/18)	345,749,068	<u>345,749,068</u>
Transfers to Capital fund(Vehicles and Land)	(32,799,948)	(32,799,948)
Transfers to income statement	0	0
Other transfers	0	0
Balance carried forward	<u>643,456,228</u>	<u>643,456,228</u>

20. Accumulated Development Fund

The Authority maintains an Accumulated Development Fund that accounts for government grants used in financing acquisition of Authority assets. This fund is adjusted for depreciation in the year and as at the close of financial year 2017/2018, the balance was Ksh 63,563,380.

Accumulated Development Fund	20	2017-2018	Depreciation	2016-2017
		63,563,380	-17,271,234	80,834,614

21. Related Parties Transactions

The related parties are

1. The National Government ,
2. The Ministry of Devolution
3. Key management
4. The Directors

Related party transactions

	2018 Kshs	2017 Kshs
Transfers from related parties'	572,366,291	817,991,291
Transfers to related parties	0	0
	=====	=====

Key management remuneration

	2018 Kshs	2017 Kshs
Directors'	21,871,862	18,066,223
Key management compensation	20,625,860	16,345,220
	=====	=====

22. Reserves

The Authority revalued its Assets in the FY 2015/16 with a revaluation gain of Ksh. 288,032,176. However, in the financial statements for the financial year 2015/2016, the gain on revaluation was reported as Ksh. 348,320,517. In the current financial year, the Authority addressed this overstatement through a prior year adjustment. The total reserves as at the end of June 2018 was Ksh. 288,032,171. The movement in the net reserves is detailed in the statement of net assets.

Reserves Opening Balance as at 1/07/2017	310, 555,848
Transfers to PPE (Bearer plants - Tea Bushes)	22,523,671
Reserves as at 30th June 2018	288,032,171

NB:

Under the amendments in IPSAS 40, Bearer plants are to be recognized under PPE. To effect this, A total of Ksh. 67,000,000 that relates to Keyian and Shankoe tea bushes was transferred to PPE. However, a total of Ksh. 22,523,671 was cost incurred to raise the tea bushes.

23. Financial Risk Management

The entity's activities expose it to a variety of financial risks including credit and liquidity risks. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

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

(i) Credit risk

The entity 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 cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. 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 company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2018				
Receivables from exchange transactions	3,260,944	18,505,268	0	0
Receivables from non-exchange transactions	0	0	0	0
Bank balances	168,220,062	167,612,164	0	0
Total	<u>171,481,006</u>	<u>186,117,432</u>	<u>0</u>	<u>0</u>
At 30 June 2017				
Receivables from exchange transactions	2,246,200	2,246,200	0	0
Receivables from non - exchange transactions	0	0	0	0
Bank balances	293,293,245	293,293,245	0	0
Total	<u>295,539,445</u>	<u>295,539,445</u>	<u>0</u>	<u>0</u>

The customers under the fully performing category are paying their debts as they continue trading with the Authority. The credit risk associated with these receivables is minimal.

The board of directors sets the Authority's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Authority's directors, who have built an appropriate liquidity risk management framework for the management of the Authority's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
At 30 June 2018	Kshs	Kshs	Kshs	Kshs
Trade payables	0	120,268,584	69,976,437	190,245,021
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred income	0	0	349,993,476	349,993,476
Employee benefit obligation	0	0	0	0
Total	0	120,268,584	419,969,913	540,238,497
At 30 June 2017				
Trade payables	0	113,162,878	130,103,688	243,266,846
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	0	113,162,878	130,103,688	243,266,846

XV. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The Authority did not have any pending audit issues with the Office of the Auditor General by the close of FY 2017/2018.

PROJECTS IMPLEMENTED BY THE ENTITY

APPENDIX 1: STATUS OF PROJECTS COMPLETION

Project	Total project Cost	Total expended date	Completion % to date	Budget	Actual	Sources of Funds
				FY 2017/18		
		Ksh		Ksh.	Ksh.	
1 Ewaso Ngiro Tannery and Leather Factory	1,000,000,000	730,000,000	95%	167,000,000	141,066,385	GOK
2 Integrated Bamboo Commercialization project	608,000,000	122,867,718	85%	16,000,000	838,400	GOK
3 Oleyiangelani Dam	125,000,000	-	0%	-		GOK
4 Natural Resources Management Project	600,000,000	7,799,155	15%	-		GOK
5 (Narok Open Data Centre)	0					
Total	<u>2,333,000,000</u>	<u>860,666,873</u>	-	<u>183,000,000</u>	<u>141,904,785</u>	

APPENDIX 2: INTER-ENTITY TRANSFERS

TRANSFERS FROM THE STATE DEPARTMENT OF STATISTIC AND PLANNING FY 2017/2018				
Recurrent Grants	FY 2017/2018		FY 2016/2017	
	Date	Amount (KShs)	Date	Amount (KShs)
	8/2/2018	47,872,822	22/8/2016	34,197,822.75
	30/4/2018	15,957,607.65	9/11/2016	34,197,822
	28/6/2018	71,500,000	6/03/17	34,197,822
	31/5/2018	15,957,607.65	9/06/17	54,700,000
	5/7/2018	15,957,607.70	11/05/2017	34,197,822
	3/7/2017	50,000,000		
	17/8/2017	47,872,822.75		
	11/8/2017	47,872,823		
	Total	<u>312,991,290.75</u>	Total	<u>191,491,291</u>
Development Grants				
	19/9/2017	121,875,000	10/10/2016	243,750,000
	20/6/2018	137,500,000	18/1/2017	100,000,000
			21/04/17	110,375,000
			10/06/17	30,375,000
	Total	<u>259,375,000</u>	Total	<u>484,500,000</u>
Drought Mitigation Programme				
			Date	Amount (KShs)



			24/11/2016	50,000,000
			21/04/17	28,000,000
			12/06/17	64,000,000
			Total	<u>142,000,000</u>



APPENDIX 3: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent/Development/Others	Total Amount KES	Where Recorded/recognized		Total Transfers during the Year
	As per bank statement			Statement of Financial Performance	Deferred Income	
Ministry of Devolution and Planning	Refer to Appendix 2.	Recurrent	312,991,290.75	50,434,178		312,991,290.75
Ministry of Devolution and Planning	Refer to Appendix 2.	Development	259,375,000	194,355,102	345,749,068	259,375,000
Total			<u>572,366,290.75</u>	<u>244,789,280</u>	<u>345,749,068</u>	<u>572,366,290.75</u>

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