

REPUBLIC OF KENYA



*Paper laid*  
*By the majority party*  
*Chn. Benjamin Wambui*  
*Wednesday Morning*  
*Sitting 7th/20/15*

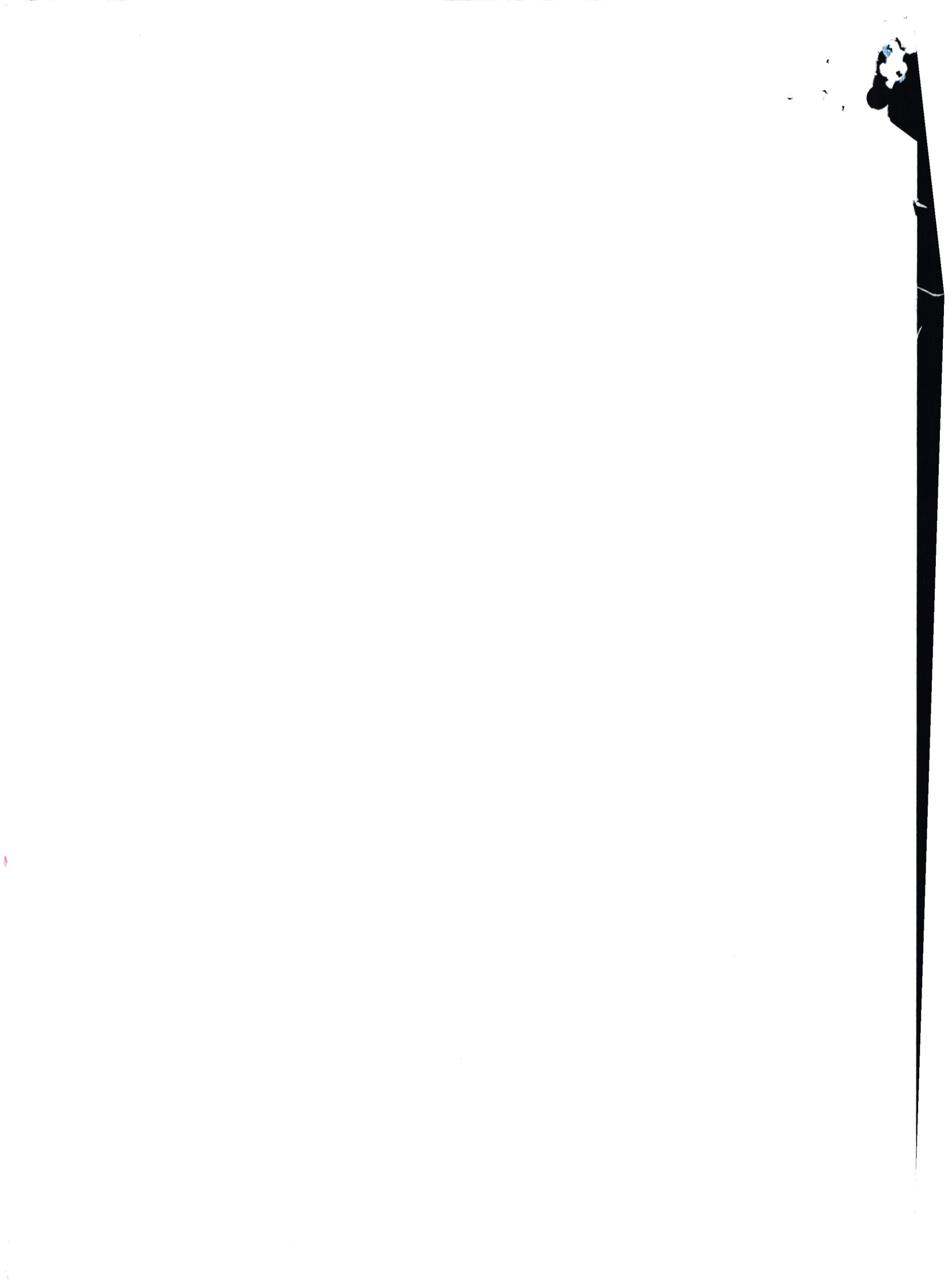


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**REPORT**  
**OF**  
**THE AUDITOR-GENERAL**  
**ON**  
**THE FINANCIAL STATEMENTS OF**  
**NATIONAL DROUGHT MANAGEMENT**  
**AUTHORITY**  
**FOR THE YEAR ENDED**  
**30 JUNE 2017**



NATIONAL DROUGHT MANAGEMENT AUTHORITY DRAFT FINANCIAL STATEMENTS AND  
ANNUAL REPORT FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2017



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**NATIONAL DROUGHT MANAGEMENT AUTHORITY**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2017**

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

**Level of rounding of: To the nearest shilling.**

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## REPORT OF BOARD OF MANAGEMENT

### PROGRESS REPORT 2016-2017

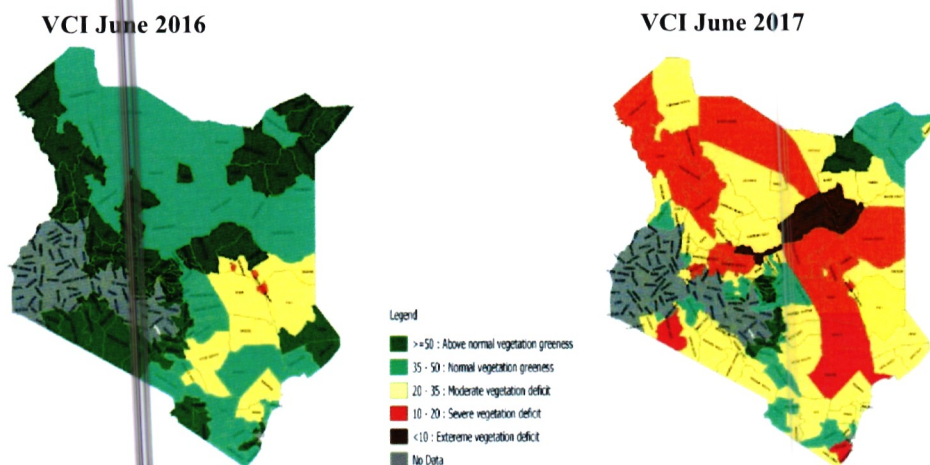
#### Drought and Food Security Information

NDMA operates and maintains a drought early warning information system, coordinates national and county food security assessments, and processes drought early warning information. The ultimate goal is to advise on appropriate, timely early action and no-regrets response mechanisms by the sectors, which include; agriculture, livestock, water, health and nutrition, peace and security, and markets and trade. The recommended interventions are categorised into immediate, medium term and long-term.

#### National Drought Early Warning System

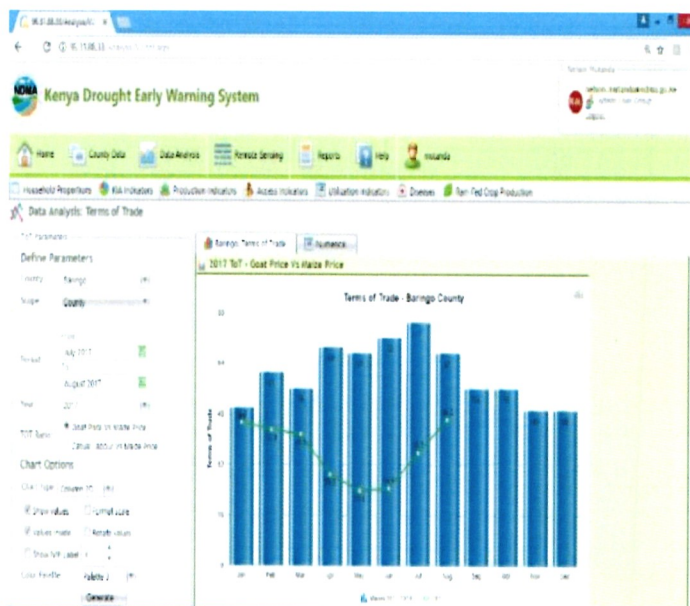
During the period under review, NDMA:

- Produced and disseminated 23 county drought bulletins on monthly basis and 12 monthly national bulletins.
- Developed and incorporated remote sensing technology (vegetation condition index), which allowed NDMA to detect early drought trends across ASAL counties.



- Combined and used wide-ranging evidence through triangulation of data from various sources and sectors, including Kenya Meteorological Department (KMD), Famine Early Warning Systems Network (FEWS NET) and World Food Programme (WFP) to improve the accuracy and reliability of biophysical indicators, such as rainfall data, cumulative amounts and distribution.

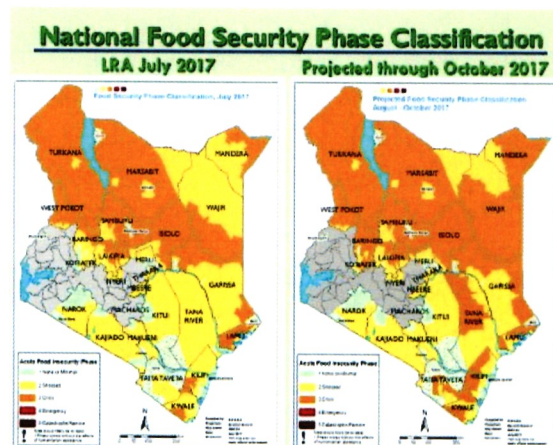
- Reviewed sentinel (sampling) sites to enhance representation through data capture from all the livelihood zones across the 23 ASAL counties.
- Established a web-based early warning information system database which allowed integration, analysis and synchronisation of data collected from all the counties in real time.
- Developed an android application that supports collection of drought early warning data using mobile phones hence increasing timeliness and cost effectiveness.
- 26 county data analysts and 154 field monitors trained on use of mobile phones for data collection to enhance quality of the data that informs the Early Warning System (EWS).



### Drought and food security assessments

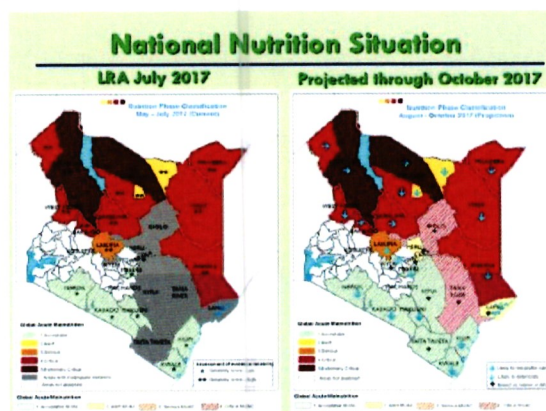
In 2016/17 financial year, the Authority coordinated the Kenya Food Security Steering Group (KFSSG) to undertake three food security assessments.

- The 2016 Long Rains Assessment (LRA) was carried out from 18<sup>th</sup> to 30<sup>th</sup> July 2016 while the Short Rains Assessment (SRA) was conducted from 16<sup>th</sup> to 27<sup>th</sup> January 2017. A mid-season assessment was conducted between 8<sup>th</sup> and 12<sup>th</sup> of May 2017 due to below average performance of the March-April-May (MAM) 2017 long rains.
- The findings of short rains assessment informed the Government decision to declare drought a **national disaster** in February 2017. This allowed involvement of both local and international partners in complementing Government drought mitigation efforts.



## Rapid drought and food security assessments

During the period under review, the drought situation in several ASAL counties moved from alert to alarm stage, with a worsening trend, which triggered the carrying out of 15 rapid food security assessments. Rapid assessments informed priority areas for intervention, assisted in identification of the types and magnitude of response options to reduce food insecurity and resource requirements.



## Dissemination of drought and food security information.

- NDMA coordinated four Kenya Food Security Meeting (KFSM) forums where the long and short rains assessment reports and the mid-season food security reports were validated and shared.
- Disseminated findings of both the LRA and SRA through the Intergovernmental Committee chaired by the Cabinet Secretary for Devolution and Planning.
- Published food security assessment reports and monthly drought bulletins on the NDMA website to enhance dissemination to a wider audience.
- Used social media, especially twitter, to communicate drought information and assessment findings to stakeholders.
- Printed and circulated 600 copies of the LRA report and 5 integrated phase classification (IPC) maps.
- Disseminated messages about ongoing drought interventions through chiefs' barazas.
- Produced 6 electronic newsletters which highlighted drought early warning information and ongoing/upcoming interventions by the Authority. The newsletter was disseminated through the website and mailing lists.
- Other early warning systems tapped into the national drought early warning information to package their regional updates and outlooks e.g. FEWS NET

The early warning system has over the years been funded by development partners. However, during the reporting period, the Kenya Government fully supported the adaptive EWS with funding from the National Treasury.

## Challenges

- Poor road infrastructure which increases data collection time in the ASALs.
- Limited mobile telecommunication coverage which hinders use of digital data collection tools outside of the major towns.
- Inadequate financial resources.

## Drought resilience and sustainable livelihoods

Drought risks have far-reaching effects in environmental sustainability, nutritional status, educational opportunity, social relations (gender roles), political stability, inequality and economic growth of Arid and Semi-Arid regions. The Ending Drought Emergencies (EDE) strategy acknowledges the importance of building resilience of affected communities to enable them to cope better with the effects of frequent and more severe droughts. The overall goal of the EDE Pillar Four is to strengthen the resilience of livelihoods in arid and semi-arid counties to the effects of drought and climate change. In addition, Pillar Five on the drought risk management also recognises that failure to address risks associated with drought in time and effectively leads to costly disasters.

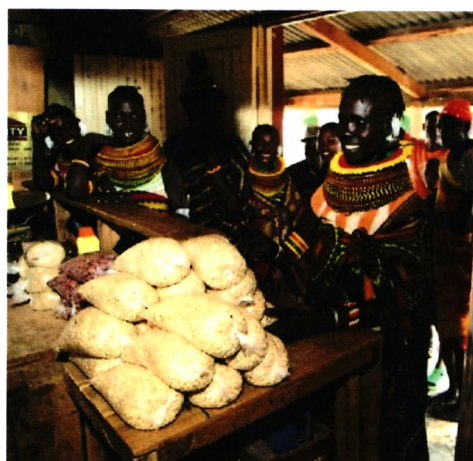
This section focuses on three broad resilience building thematic areas in line with the NDMA Strategic Objectives namely; i) Social protection ii) Investments in strategic disaster risk reduction interventions and iii) Adaptation to climate change.

### Enhancing Social Protection

Social protection refers to specific set of public actions to address the vulnerability of people's life through social insurance, offering protection against risk and adversity throughout life. This is achieved through social assistance, offering payments to support and enable the poor; and through social inclusion efforts that enhance the capability of the marginalised to access social insurance and assistance. Social Protection is one of the measures by Government of Kenya for addressing issues of extreme poverty and vulnerability in the poorest households in drought-prone areas. NDMA is implementing two programmes under its social protection portfolio; i) Hunger Safety Net Programme (HSNP) ii) Asset Creation Programme (ACP)

### Hunger Safety Net Programme

The Hunger Safety Net Programme is a national flagship programme that implements the Social Protection Policy (2012) under the National Safety Net Programme (NSNP) - one of the key objectives of the social pillar under the Vision 2030. HSNP is a social assistance unconditional cash transfer programme implemented in of the poorest arid counties of Turkana, Wajir, Marsabit Mandera. The programme is funded by the governments Kenya and the UK. The objective of the bimonthly cash transfers is to build resilience and improve livelihoods. HSNP applies a two-factor authentication payment system that uses both biometrics and PIN to access funds according to the requirement of the NSNP.



*HSNP cash transfers are enabling poorest household eat more nutritionally diverse food, larger portions and more frequently.*

four  
and  
of

## Key achievements

During the reporting period the Authority achieved the following;

- Delivered regular, bi-monthly and unconditional cash transfers to 98,736 households totalling Kshs 4.14 billion across the four counties against a target of 101,800 households.
- Established a decentralised database of registered households across the four counties for ease of data sharing.
- Developed and decentralised a case management system that enables beneficiaries to lodge complaints and grievances, thus promoting public participation and social justice.
- Trained over 2,000 staff, Chiefs, Assistant Chiefs, HSNP beneficiaries, implementing partners and county government personnel on use of the case management system.
- Developed a bulk SMS system and disseminated information to 60,000 subscribers including beneficiaries, NDMA staff, Chiefs, implementing partners and county government staff.

## HSNP 2 impact evaluation

An independent evaluation released in June 2017 ranked HSNP highly compared to other national cash transfer programmes in terms of; regularity and timeliness of payments; provision of full bank services; strong case management systems; monitoring and evaluation (M&E); scalable responses and communications. Other impact findings included;

- HSNP has a profound impact on the livelihoods of the most vulnerable households as the cash transfers are largely spent on food and basic needs such as clothes, school fees and paying off credit debt.
- The programme has a positive spill over on the rest of the local economy since some beneficiaries are able to use a portion of the cash transfers to start small scale businesses within their communities.
- Beneficiary households use the money to prepare for future needs. For example, saving or investing in livestock, or sharing with others who may help them in times of need.
- HSNP has improved beneficiaries' psychological wellbeing. By reducing stress and easing some of the negative effects of poverty, the cash transfers have lifted the spirits of targeted households and improved their sense of dignity and self-worth. The programme strengthens existing social support networks in communities and is felt to have created more peace and unity within households.
- 60% of recipients of HSNP regular cash transfers are women, meaning HSNP is enabling inclusion of rural remote women in

The difference from HSNP is a lot. You can open an account. You pay your children's school fees. You get hope.

-- *Female community leader,*  
*Wajir*

## Asset Creation

Asset Creation Programme (ACP) is a food security programme designed jointly by the Government of Kenya (GoK) and World Food Programme (WFP) to build community resilience to drought and related food security shocks. It supports Kenya's social protection strategy and contributes towards the EDE initiative by protecting and rebuilding livelihoods. The programme implementation at community level is done through partnerships between NDMA, County governments, WFP and Non-state actors in 14 ASAL counties.

## Key achievements

In order to improve food security and resilience building during the year under review, ACP invested in the following areas at the household level; soil and water conservation, rainwater water harvesting for

domestic and livestock use, crop and pasture production, construction and rehabilitation of access roads, and promotion of small scale irrigations.

- A total of 5,538 metric tons of food and Kshs 363 million were transferred to 705,000 beneficiaries (117,500 households) to compensate for work norms (standard measure of work done per person/day).
- Constructed rainwater-harvesting structures in 1,000 project sites across 14 ASAL Counties. Enhanced crop and livestock production at household level through irrigation, dry land farming, pasture enclosures and rangeland rehabilitated (*refer to ACP result annex*).

### **Investments in strategic disaster risk reduction interventions**

Under this thematic area, the NDMA focuses on implementation of projects that build the capacities needed to manage drought episodes more efficiently and thus facilitate early response. These are carried out in partnership with the county governments and other actors, including the UN system and civil society organisations. During the reporting period, the Authority implemented key interventions in the following priority areas;

#### **Drought preparedness infrastructure**

NDMA, through the EU funded drought contingency fund (DCF) identified and implemented strategic investments in drought preparedness that are expected to improve the capacity for early and efficient response during drought crisis. This was achieved in collaboration with relevant line ministries and other county service providers. Investment in drought preparedness projects in the financial year 2016/17 include:

- Construction of dams and extension of water pipelines; Mbasya water pan in Makueni, Shomela water pan in Kilifi and Chengoni in Kwale, Ndiriti Aguthi community water project in Nyeri and Ngolia water pipeline in Taita Taveta County.
- Implemented food security projects including a sweet potato value addition project in Meru County and sorghum intensification project in Garissa.
- Supported pasture production at Nadungoru and Ethi at IL Ngwesi group ranch in Laikipia that saw 140 acres put under Rhodes grass (fencing and sowing).
- Completed 80-bed capacity girls' dormitory at Enoosaen primary school in Narok to facilitate retention of girl-child in school during drought periods.
- Promoted collaboration with county governments and communities in which NDMA contributed Kshs 124,225,266, County Governments Kshs 36,405,103 and communities Kshs 17,000,705.

#### **ASAL based value chains**

The NDMA promoted and developed ASAL based value chains to strengthen drought preparedness mechanisms and minimise related risks. This was funded by the EU through a call for proposals. The action was implemented through grants to seven NGOs namely; World Vision Kenya, Oxfam GB, SNV Netherlands, EUCORD, CAST and German Agro Action and Farm Africa at cost of Kshs. 1,205 billion (€ 10,049,547). The 16 counties targeted were; Turkana, Samburu, Baringo, Isiolo, Marsabit, Tana River, Wajir, Kitui, Kilifi,

Kajiado, Narok, West Pokot, Tharaka Nithi, Embu, Makueni and Meru.



*Fishing boats donated to fishing communities in Turkana*



*Improved food security through functional local market mechanisms for fishing communities in*

### Key achievements

- 76 tons of dried fish was distributed to 5,000 vulnerable persons in the project area, representing a total of 2,131 households. Fish substitution to replace pulses in WFP relief food distribution pipeline: a total of 36 tons of dried fish was distributed to 5,000 people through 73 traders amounting to Kshs 18 Million
- 190 tons of fresh fish was harvested from Lake Turkana and sold to the fish traders by more than 500 fishermen.
- Kshs 36 million was injected in the local economy through the fish distribution process.



*Fishing production has boosted income of the communities in Turkana*

- 6 water pans were constructed, benefiting 3,000 households in crop and livestock production.
- Supported 6,626 farmers with 99.78 tons of vegetable and cereals seeds resulting to production of 178 tons of maize and 74 tons of vegetables.
- Local breeds of cattle, goats, chicken improved through distribution of 42 Boran and 7 Sahiwal bulls, 428 Galla bucks and 600 cockerels that are fast maturing and fetch better prices.
- Supported vaccination of 34,000 cattle against foot and mouth disease and 254,000 small stocks against sheep and goat pox.
- 19 markets constructed, and adopted private-public partnership (co-management) model

### Governance for Disaster Risk Reduction

Through the UNDP funded Governance for Disaster Risk project, NDMA implemented interventions in the areas of; support to policy enactment; establishment of mechanisms for assessing and monitoring disaster losses and impacts; support in mainstreaming DRR into government planning and budgeting process; disaster information management systems and partnerships.

### Key achievements

- Trained 10 (3 Female) local community members on leather tanning and production. Produced end products worth Kshs100,000.
- Constructed a fish banda at Kalokol, Turkana County. 387 (202 Female) community members are benefiting. The proceeds from sale of fish currently supports 28 children in the community to access education.



*A farmer displaying an eggplant in Turkana*

- Trained 4 local community groups in Turkana with a total of 142 members (86m; 56f) on establishing and managing viable bee-keeping enterprises in ASAL areas.
- Supported 500 (92 Female) farmers in Nawoyawoi Irrigation scheme with mechanised land preparation. The farmers harvested a total of 3,800 kgs of maize and 1,250 kgs of sorghum.
- Supported 55 farmers (15male: 40female) to set up a vegetable orchard through promotion of agriculture extension services for production of kales, spinach and tomatoes.

### Capacity building and investments for enhanced stabilisation

Droughts exacerbate conflict within and between communities due to competition over scarce resources. During the reporting period, the Authority with support of UNDP and the Government of Japan implemented a project to mitigate the increasing impact of conflict on communities in nine counties namely; Turkana, Kilifi, Kwale, Tana River, Garissa, Lamu, Marsabit. The peace and conflict work was supported by the International Peace Support Training Centre (IPSTC). Under the project, communities were equipped with skills and knowledge to address and advocate for cohesive and peaceful communities within the seven target counties. The project also sought to integrate conflict and disaster risk reduction strategies into national and local government planning processes.

### Key achievements

- Enhanced the capacity of 1,423 people (628 female, 795 male) for disaster preparedness and response through awareness creation, including 519 government officers and 907 community members.
- Enhanced livelihoods and economic engagement of 584 youth at risk (327 female, 257 male) through skills building and establishment of small enterprises to strengthen youth resilience against disasters, conflicts and other threats including radicalisation.

- Trained peace committees through community peace forums target counties to improve cohesion, peace and community organisation.
- The project contributed to gender equality in peace building and cohesion by ensuring 40% representation in the peace committees and disaster management platforms.
- Linked target counties with national level institutions, including the National Steering Committee, NDMA and National Disaster Management Unit.

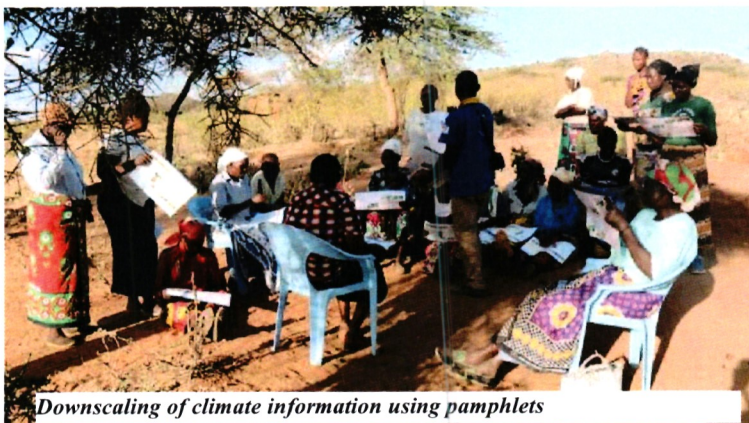


*Banana production in Tana River*

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### Adaptation to climate change

Through support of the Adaptation Consortium, NDMA piloted an integrated approach to allow poor and vulnerable households to prioritise investments that would provide resilient pathways out of poverty and climate vulnerability. The approach also enabled county governments to institutionalise a decision-making process that puts communities in control of their adaptation priorities, and ensure vulnerable communities oversee flow of climate finance from international/national to local level, hence enhancing accountability.



*Downscaling of climate information using pamphlets*

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the

### Key achievements

- Approximately 2,020,630 persons (1,000,211 and 1,020,418m) supported to cope with effects of climate change through investments in climate-resilient projects by the County Climate Change Funds (CCCF), as well as provision of climate information. This represents 80.8% of the set target for 2017.
- The five counties of Isiolo, Garissa, Makueni, Wajir and Kitui adopted two approaches for institutionalisation of the CCCF; through enactment of regulations under the Public Finance Management Act, 2012; and through development of Bills. A total of 278,858 people (138,035f and 140,823m) directly benefited from the CCCF and an additional 72,366 persons indirectly benefited through establishment of related processes including intermediary training, resource mapping exercises in Wajir and Isiolo among others.
- Supported development of five Climate Information Services Plans used to deliver climate information services and provide a framework for other sectors, such as livestock, agriculture,

water as well as county planners and communities to access timely and relevant information that allows for effective decision-making.

- Raised CCA awareness to 375,076 households in five counties using various communications channels including radio, CIS Intermediaries, local administrators and technical extension officers.
- Developed daily, weekly, monthly, seasonal forecasts and occasional warning/alert forecast. These were generated and downscaled to the sub-county levels.
- The work of the consortium was adapted 32 times across the five counties at the sub-County levels, nationally and internationally against a planned milestone of 10 times at the county level.

## **Challenges and recommendations**

### **Challenges**

- Low coverage of national identity cards in the project area, hampering opening of functional bank accounts for targeted beneficiaries under the social protection programme.
- Poor infrastructure, low connectivity and vastness of the counties slowed the speed in which programme activities are implemented at the grassroots level.
- Inadequate coordination of cash transfers across programmes and partners. Multiple dipping by households receiving more than one support, especially during drought emergency scale ups by NGOs working in humanitarian sector.
- Insecurity continued to pose a major setback in implementation of projects

### **Recommendations**

- Enhanced coordination efforts of NGOs cash transfer drought emergency intervention.
- Enhanced collaboration with National Registration Bureau to address lack of National IDs, especially for marginalised, poorest and most vulnerable households.
- Need for complementary relationship with the different interventions in social protection to enhance the positive impact on target communities.
- Work with County security teams to address issues of insecurity in affected areas.

## **Drought Contingency Planning and Response**

Article 43 of the Constitution obliges the State to take legislative, policy and other measures for progressive realisation of a raft of rights. This includes the right to be free from hunger but drought undermines efforts to progressively realise this right. As a specialised institution, NDMA prioritises drought response and support to vulnerable households to protect their livelihoods from drought shocks.

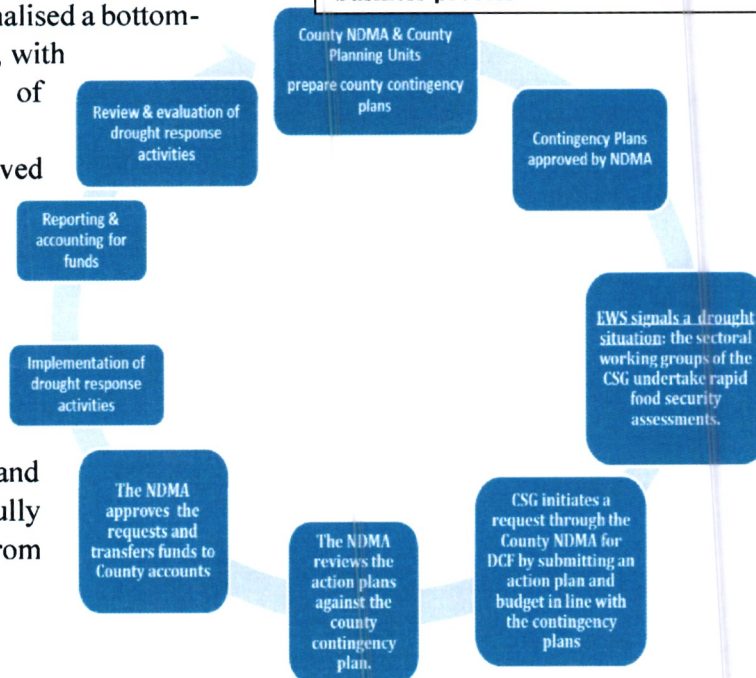
In addition to providing drought early warning information, the Authority coordinates preparation of contingency plans and disbursement of timely finance for response through a participatory, tiered and evidence-based, bottom-up business process in 23 ASAL counties. The business process is further strengthened by the national drought response coordination mechanism (Inter-government and inter-agency committee) for drought response in the event drought situation goes beyond the capacities of the counties.

## Drought contingency and response planning processes

During the reporting period, the NDMA;

- Successfully tested and institutionalised a bottom-up contingency planning process, with the Ward as the lowest unit of response planning.
- Developed, reviewed and improved 23 county contingency plans and response plans based on new learning drawn from implementation.
- During the 2016/2017 prolonged drought, both the county and national drought response planning and coordination mechanism successfully mobilised over Kshs 22.265 billion from the National Treasury.

**Figure 2: Drought contingency funds business process**



## Drought response financing mechanism

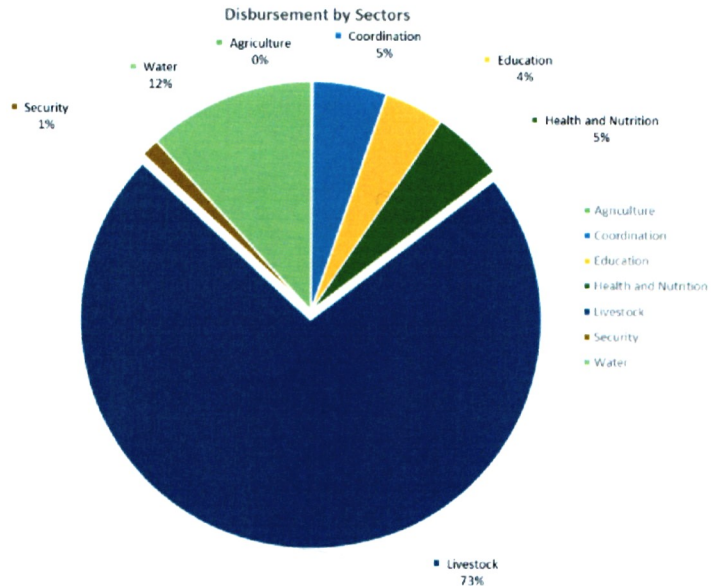
The EDE strategy envisages strong institutional and financing mechanisms for drought management. Since 2014, the Authority has been piloting a predictable drought risk financing mechanism using different instruments and approaches. Evidence suggests that early action protects lives and livelihoods, thus avoiding the high cost of emergency response. During the reporting period, NDMA:

- Developed guidelines, standard operating procedures and piloted use of drought contingency funds for drought preparedness and early response.
- Developed guidelines and operations manual – Drought Response Manual – to inform appropriate interventions during different drought phases. The manual was validated by the stakeholders in December 2016.
- Developed regulations for a National Drought Emergency Fund (NDEF) which is now awaiting Cabinet and parliamentary approval. The NDEF is an innovative way of ensuring that finance for early drought response is always available when needed.
- The Government has already set aside Kshs 2 billion as seed money for the NDEF during this reporting year.
- Held two drought response reflection, learning and good practices workshops to document lessons learnt during the 2016/17 drought.

### Drought response initiatives

During the reporting period, the country and the entire Horn of Africa region experienced severe drought arising from four successive failed rain seasons. NDMA responded through a three-thronged approach;

- i. EU funded Drought Contingency Fund
- ii. Scalable cash transfers through the Hunger Safety Net Programme
- iii. Resource mobilisation from the National Treasury and other partners

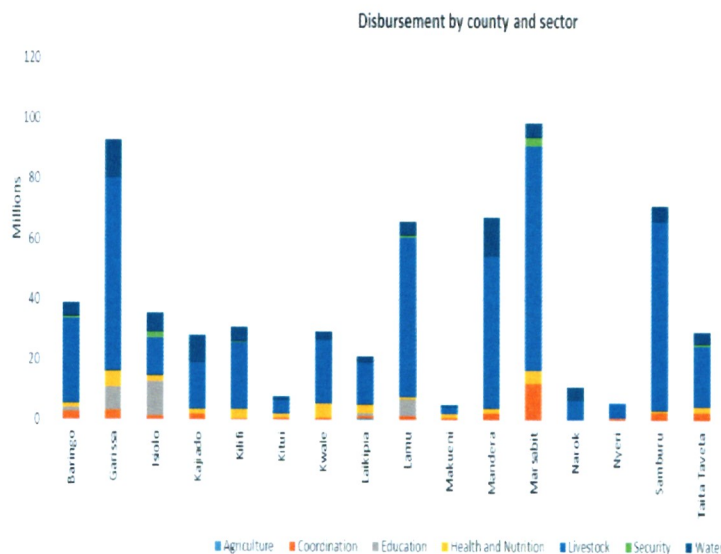


In February 2017, H.E. the President declared drought a national disaster, rallying Government sectors, County Governments, development partners and other non-state actors to respond.

#### 5.2.1.1 Drought Contingency Fund

The Authority, through the EU funded ASAL-Drought Contingency Fund project, disbursed Kshs 865 million to support drought response activities identified by sectors in 21 ASAL counties. Focus was mainly on the livestock sector, which was most affected by the drought. Consequently, about 75% of the funds were spent on livestock feeds, off-take, and livestock disease control.

Figure 1 : 2016/17 DCF sector allocation per county



### Support to the livestock sector included;

- Kshs212 million for provision of 108,071 bags (50 kg) of drought pellets and daily meal to 173,861 breeding cattle across ASAL counties.
- Kshs19.5 million for distribution of 49,690 blocks of Urea Molasses Mineral Blocks to 67,124 heads of cattle and 100,400 sheep and goats.
- Kshs 20 million for procurement and distribution of 30,662 bales of hay to 7,568 households supporting 12,406 cattle and 20,530 sheep and goats.
- Kshs60.5 million for vaccination of 820,956 heads of cattle and 1,288,680 sheep and goats against notifiable diseases. Kshs 1.46 million for disease surveillance in 66 hot spots.
- Kshs186.9 million for slaughter and commercial off take benefitting 203,718 people.



KDF trucks during launch of drought livestock feeds distribution in Turkana County

During the reporting period, NDMA entered into a partnership with the Kenya Defence Forces (KDF), which saw military trucks assist in distribution of livestock feeds especially in expansive and hard-to-reach areas in ASAL counties. The NDMA interventions were rated highly by the County Governments, communities and other stakeholders.

Water sector interventions across the ASAL counties were as follows;

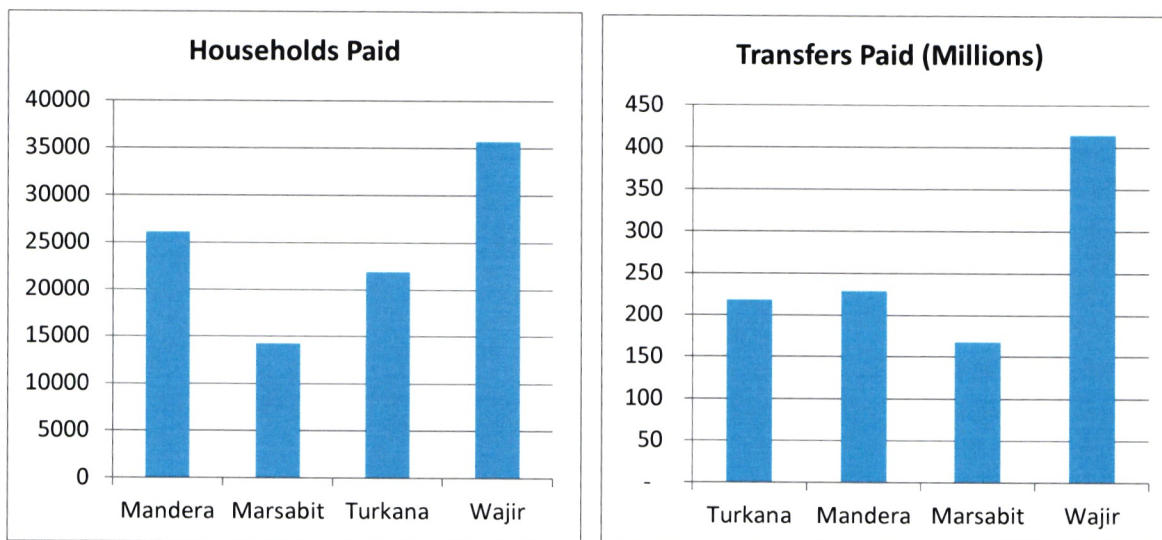
- Kshs 32.7 million for supply of water equipment to strategic water facilities befitting 936,340 people.
- Kshs17 million for water trucking to communities, schools and health facilities.
- Kshs 9.7 million for emergency repairs.
- Kshs 6.5 million for fuel subsidy targeting strategic boreholes.

The Authority spent Kshs 85.8 million on support to the education sector in the form of fees subsidy for under-privileged students in 138 secondary schools in Garissa, Isiolo, Lamu, Taita Taveta and Turkana counties. An additional Kshs. 37.7 million went towards support to the health and nutrition outreaches in which 169,594 children in drought stricken counties were screened, while Kshs 10.7 million was spent on peace and security initiatives across ASAL counties.

### Drought shock responsive scalable cash transfers

Scalable cash transfers are paid based on vegetation condition index thresholds, with each household receiving Kshs 2,700 per month. In early response to the ongoing drought, the Authority achieved the following through the HSNP programme;

- Disbursed Kshs 1.02 billion as scalable cash transfers to extra households (97,918) that are not on the regular cash transfers in the four counties of Turkana, Wajir, Mandera and Marsabit. Of this amount, Kshs 609,352,200 was provided by DFID and Kshs 419,704,200 by the EU.



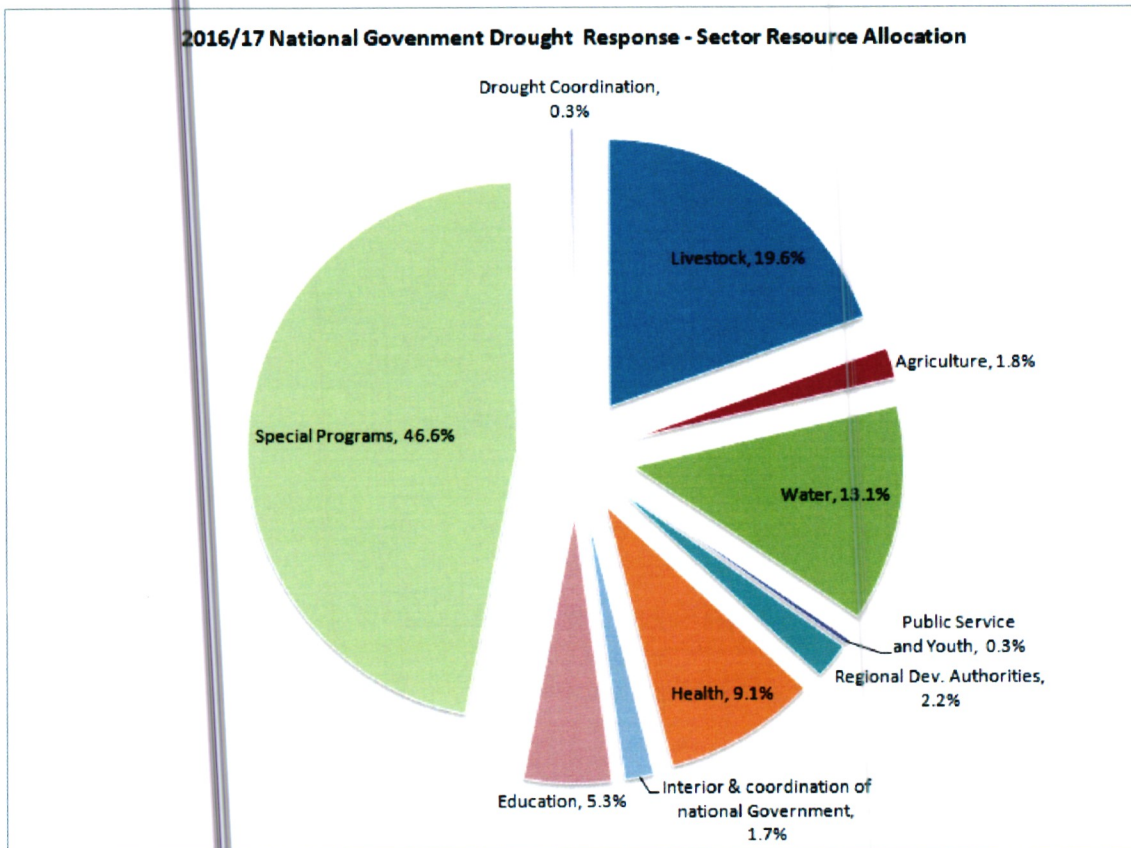
- The HSNP system has been adopted by other humanitarian organisations/stakeholders for drought emergency scale up. These include Kenya Livestock Insurance Programme (KLIP), Trocaire, UNICEF, Population Council, Concern, Oxfam, VSF Germany and USAID. Others are Kenya Markets Trust, Kimetrica, Africa Risk Capacity, OPM, ILRI Index –Based Livestock Insurance Save the Children, Department of Social Development, Solidarities International, State Department of Livestock, FAO, Ministry of Agriculture Livestock and Fisheries and the Kenya Red Cross.



A beneficiary in Marsabit county receives cash under the HSNP scalable pay-out

**Response funding from the National Treasury, County Government and other partners.**

With technical input from the Inter-Agency Committee Drought and Food Security, a Cabinet Memo was adopted in November 2016 setting out a three-phased response and resource envelope for each sector. In the first phase spanning November 2016 to January 2017 the National Treasury released Kshs 5.4 billion; Kshs 9 billion for phase two (February to April 2017); and Kshs 7 billion for phase three (May to July 2017). Sector allocations were as follows:



- Under the Chakula Kwa Jamii cash transfer programme, the State Department of Special Programmes disbursed cash to 259,668 vulnerable households, representing 1,558,010 people in 13 ASAL counties. Target arid counties included Samburu, Isiolo, Garissa, Tana River, Baringo and West Pokot while the semi-arid counties were Makeni, Kitui, Kilifi, Kwale, Taita Taveta, Lamu and Laikipia. The three-month cost of the predictable monthly cash transfers is Kshs 2.01 billion with a transfer value of Kshs3,000 per household per month for arid counties and Kshs2,300 for semi-arids, based on cost of food.
- The livestock sector was allocated Kshs 4,160,000,000 over the three phases for purchase and distribution of livestock feeds, livestock off take and livestock disease control, while Agriculture received Kshs 488,000,000 for purchase and distribution of drought tolerant seeds as well as re-positioning of strategic food reserve stocks.
- Kshs 3,356,244,900 was allocated to the water sector over the three phases and implemented by the ministry, regional authorities and National Youth Service. Interventions mainly targeted water distribution and storage, repair/rehabilitation of boreholes and drilling and equipping of boreholes.

- The health and nutrition sector received Kshs 2,139,502,044 over the three phases for provision of therapeutic and supplementary feeds for children below five years, integrated outreach services and mass screening and provision of treatment chemicals to affected households.
- Response funds amounting to Kshs1,124,593,978 for the education sector went towards fees subsidy to day secondary schools, expanded school meal programme and rain water harvesting and sanitation

The Ministry of Agriculture was allocated additional resources for the maize flour subsidy programme implemented during the reporting period. Further, UN agencies and humanitarian partners also made a flash appeal to development partners of USD 165.7 million towards Kenya's 2016/2017 drought response.

## **Drought Coordination and Knowledge Management**

### **Drought Coordination**

Drought management is a cross-cutting issue that requires collaborative and effective action by a wide range of state and non-state institutions at all levels therefore, a sustained, long-term and coordinated approach is a prerequisite for reducing vulnerability to drought.

In fulfilment of its mandate to coordinate all matters relating to drought management, the Authority has established drought and food security coordination mechanisms at national and county levels. The achievements of the coordination frameworks are as follows;

#### **Inter-governmental committee on drought and food security**

This committee is responsible for providing policy direction and resource mobilisation for drought response.

- The committee held 8 meetings during the reporting period to consider reports from lower level committees and provide policy direction, mobilise resources for drought response and coordination of response efforts by national and county governments and other stakeholders.
- In October 2016, the committee prepared a Cabinet Memo on drought and food security that enabled mobilisation of funds for drought response from the National Treasury.
- The Cabinet approved Kshs 21 billion towards drought response interventions for a period of nine months starting November 2016. This enabled the country to respond early to the emerging drought situation.

Committee members are Cabinet Secretaries for Devolution and Planning (Chairperson), Health, Agriculture, Livestock & Fisheries, Education, Interior and Coordination of National Government, Water & Irrigation, Environment & Natural Resources and the 23 ASAL Governors. The chair of Council of Governors Food Security Committee co-chairs the committee. The Chief Executive Officer of the NDMA is the secretary to this committee.

### **Inter-governmental technical committee on drought and food security**

This committee provides technical support to the Inter-governmental committee on drought and food security.

- It held 10 meetings during the reporting period to consider drought response resource needs and gaps and made recommendations to the Inter-governmental committee on drought and food security.
- The committee also developed and operationalised standard operating procedures for various sectors to ensure effective, coordinated and timely response.

Membership includes the following Principal Secretaries; Special Programmes (Chairperson), Health, Agriculture, Livestock, Education, Interior and Coordination of National Government, Water, Irrigation, Environment, Natural Resources and relevant CECs from the 23 ASAL counties. The Chief Executive Officer of the NDMA is the secretary to this committee.

### **Inter-agency committee on drought and food security**

The committee held 5 meetings to review recommendations by various committees and mobilise resources for drought response from within Government, UN agencies, development partners, international NGOs, private sector and other actors.

It is chaired by the Secretary to the Cabinet and Head of Public Service, with NDMA as the Secretary. Members are Governors, Cabinet Secretaries, UN-Agencies, Development Partners, and International Non-Governmental Organisations. NDMA and UN OCHA currently provide secretariat services.

### **Kenya Food Security Meeting**

The forum met 4 times during the reporting period to validate findings of Long Rains, Short Rains and Mid-season drought and food security assessments done by a multi-agency technical team referred to as Kenya Food Security Steering Group (KFSSG).

KFSM brings together experts drawn from relevant Government departments, UN agencies and International NGOs. KFSM, which is led by NDMA, generates and quality-assures drought and food security information for decision making by other committees and stakeholders.

### **County Steering Groups**

- All 23 ASAL counties held quarterly County Steering Group (CSG) meetings and additional adhoc meetings on need basis to consider monthly drought bulletins, nutrition assessments, rapid drought assessments and bi-annual food security assessments.
- Based on the reports and meetings, the counties have been responding on time to the unfolding drought and food security situation. CSGs are chaired by the Governor and co-chaired by the County Commissioner, with NDMA as the Secretariat.

CSG membership is drawn from organisations and departments handling drought-related matters at county level, Civil Society Organisations (CSOs), Faith Based Organisations (FBOs) and community representatives. It is through the CSG meetings that sector drought response and resilience needs are prioritised and financed. The forum also provides for synergy and coordination of response and resilience interventions. A similar structure and function is replicated at sub-county level.

### Coordination for EDE

The Ending Drought Emergencies (EDE) initiative is a Government commitment to the regional efforts towards drought resilience. Through this initiative, the Government has committed to ending drought emergencies by 2022. The EDE is implemented through a Common Programme Framework across various sectors within National and County Governments and coordinated by NDMA.



It is coordinated through various committees namely; National EDE Steering Committee, EDE Pillar Groups and CSGs. These committees are supported by an EDE Secretariat provided by the Authority.

Achievements made during the reporting period are as follows;

- Provided financial and logistical support to various ASAL institutions that implement EDE activities. These include; ASAL Stakeholders Forum (ASF), Pastoralist Leadership Summit (PLS) and National Council on Nomadic Education (NACONEK).
- There has been marked increase in resource allocation to ASAL counties by the National Treasury from Kshs 127.75 billion in 2015/16 to Kshs139.07 billion in 2016/17.
- Supported EDE pillars to carryout legal and policy reforms namely; ASAL Policy, National Peace Policy, National Water Policy, National Irrigation Policy, and Livestock Insurance Policy.
- Facilitated drafting of the Third Medium Term Plan for Ending Drought Emergencies (EDE-MTP III) for Kenya Vision 2030.

### Resource Mobilisation

Through the coordination of these committees, resource requirements and gaps for drought response were identified and resources mobilised from government and partners. During the reporting period, the Authority received support from the European Union, DFID, WFP, UNDP and USAID.

- The resource requirement for the 2016-17 drought was estimated at Kshs 21.2 billion and implemented in three phases. The resource requirements and gaps were based on county drought contingency plans and national level priority needs. During the first phase of funding (November 2016 – January 2017) the National Treasury allocated Kshs5.4 billion. A further Kshs7.4 billion was released during the second phase (February – April 2017), with the county governments providing an additional Kshs2.2 billion.
- In addition, the NDMA through European Union-funded ASAL Drought Contingency Fund Project disbursed Kshs 865 million to support drought response activities identified by sectors in 21 ASAL counties.
- The Authority has since November 2016 disbursed additional Kshs1.13 billion as scalable cash transfers to cushion extra vulnerable households that are not on the regular cash transfer in Wajir, Mandera, Marsabit and Turkana counties. Scalable cash transfers are paid based on vegetation

condition index thresholds. The cash transfer scale up is supported by the Kenya Government, DFID and the European Union.

- Through the coordination frameworks, county governments also contributed significantly to drought response. Counties set aside funds for key interventions such as water trucking, drilling/equipping of boreholes, health and nutrition, livestock off-take and provision of food relief.
- NDMA developed a resource mobilisation strategy and developed two concepts for funding. The Authority is currently working with the International Union for Conservation of Nature (IUCN) and National Treasury to access the Green Climate Fund (GCF) to finance the two concepts.
- Mobilised resources for EDE implementation from various partners including 30 million Euro (Approximately Ksh3.3 billion) from the EU to support EDE Pillars 5 & 6 and 63.9 million Euro (approximately Kshs70.2 billion) from EU Trust Fund for prevention and mitigation of impact of local conflict in cross borderland areas and to promote economic development and greater resilience in the Horn of Africa region.
- Other support received from partners include: 5 vehicles, 11 motorcycles and assorted office equipment & furniture from USAID/REGAL-IR, USAID/AHADI. Africa Lead also supported an organisational capacity assessment of NDMA to deliver on its mandate including EDE and support to EDE performance management systems.

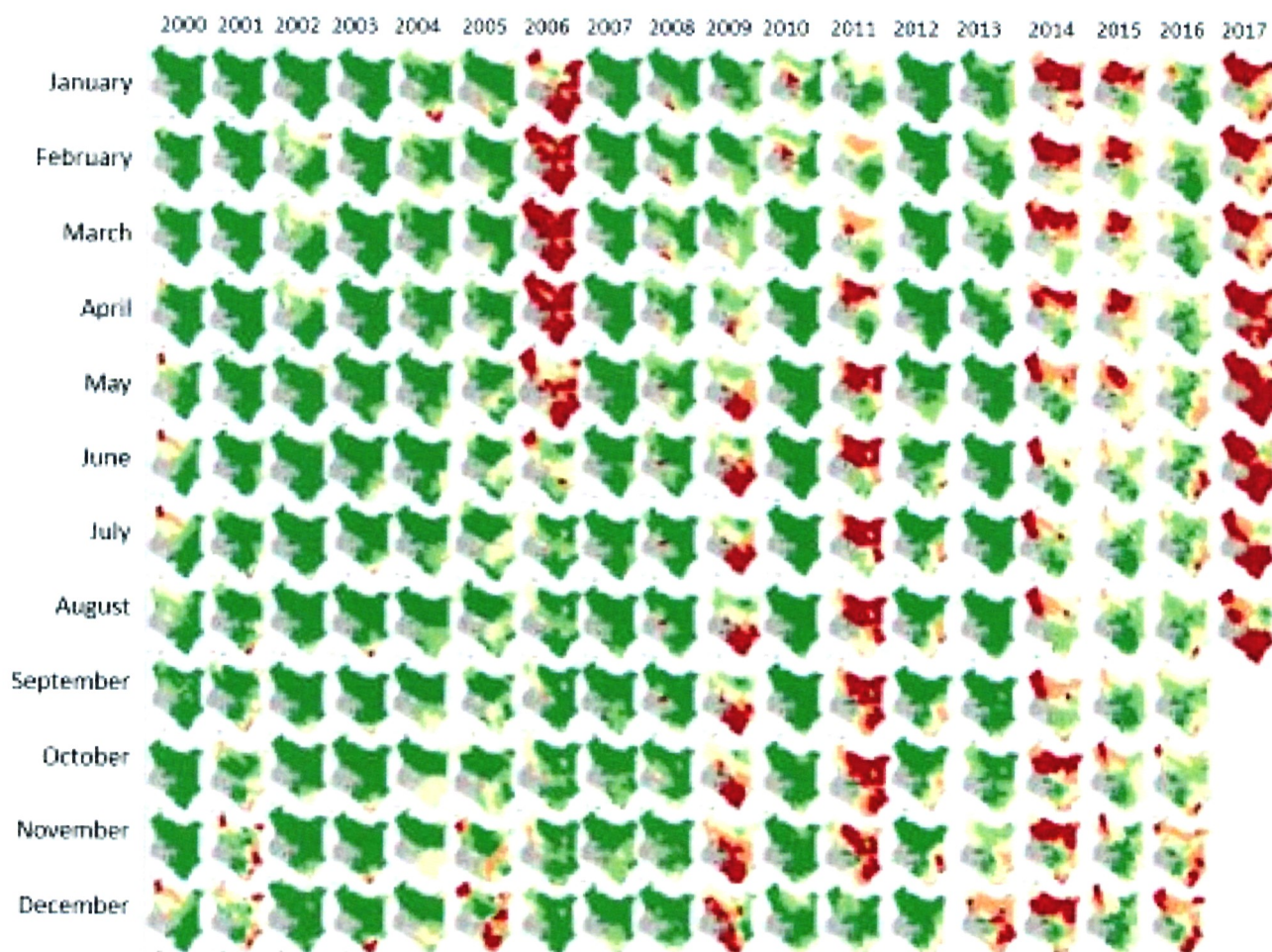
### **Support to County Governments**

Most of drought risk management functions are devolved to counties, namely; water, agriculture & livestock and health and sanitation. In this regard, NDMA partnered with county governments to deliver some of its strategic objectives. The Authority also supported and partnered with county governments to mainstream drought risk management and implement some priority projects. Some of the achievements during the reporting period include;

- Supported drought contingency planning in 23 counties.
- Supported and coordinated drought response interventions in 23 counties.
- Supported customisation of EDE in ASAL Counties.
- Supported priority preparedness and resilience projects.
- Supported County Assemblies of Mandera and Turkana on development of social protection legislation and mainstreaming into the county budget processes.
- Provided drought and food security information regularly for decision making by county Governments, communities and other stakeholders.
- Supported to development of climate change adaptation legislation and establishment of climate change funds in 5 counties (Isiolo, Wajir, Makueni, Kitui, and Garissa).
- Partnered with County Governments and NGOs to implement priority drought resilience building interventions. E.g. Chengoni integrated food security project in Kwale County.

Through the contingency planning, resources mobilisation, activation and targeting system resulted in minimum losses and damages to ASAL livelihoods. For example, despite the fact that the 2016/17 drought was more severe, losses and damages as a result of this drought was far much less.

**Figure 5: Forage condition Index showing successive failed or depressed rains**



### Citizen Participation

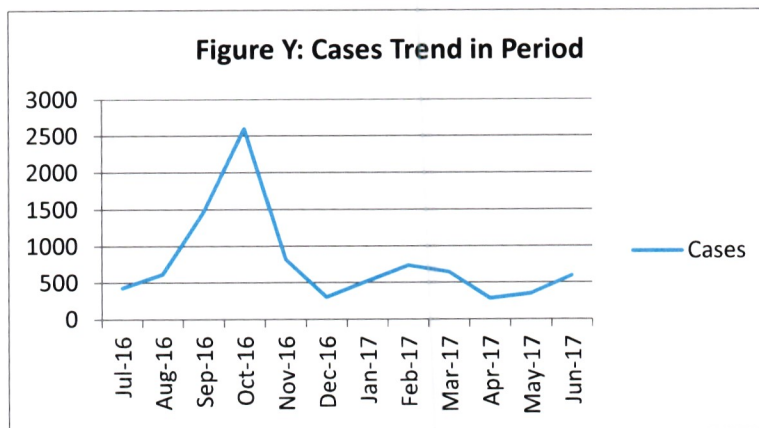
NDMA has mainstreamed citizen participation, accountability/social audit mechanisms in programming and implementation of its core activities. Some of these processes include;

- i. Participatory drought risk analysis.
- ii. Participatory contingency planning.
- iii. Complaints and grievance handling mechanism/social audits.



iv. Stakeholder engagement frameworks.

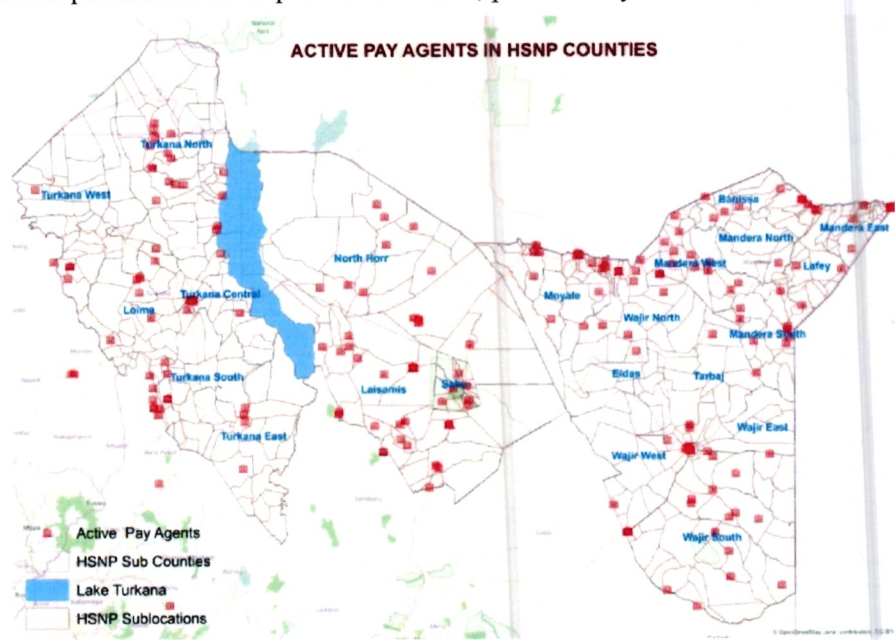
The Authority, through the HSNP programme, developed a case management system incorporating programme updates and complaint management function. This allowed beneficiaries and general public to query, report or receive programme information through SMS, radio, web, phone. To increase face-to-face interaction, the system also allows Chiefs or Assistant Chiefs to engage with beneficiaries and general public and escalate issues to programme offices and managers. The case management system, which used to be managed by four stakeholders Helpage, Racida, and Hawenka, has since been institutionalised into Government systems for sustainability. Figure Y shows trends in case management while Figure: shows use of SMS to disseminate programme information to beneficiaries



**Public-Private Partnerships**

The Authority has partnered with the private sector to provide services, particularly financial services to target communities. For instance, NDMA has partnered with Equity Bank and Financial Sector Deepening Trust (FSD) in the cash transfers to vulnerable communities in Turkana, Mandera, Wajir and Marsabit. Based on lessons learnt from this initiative, the Department of Special Programmes has out scaled the initiative to 13 additional ASAL counties.

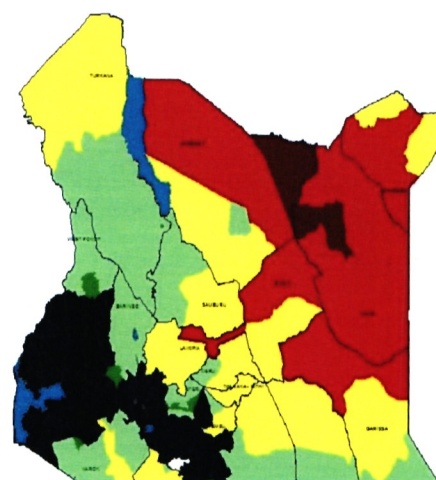
NDMA has supported establishment and expansion of Equity Bank agent network to facilitate financial services access by vulnerable communities in some of the remotest areas as shown by Figure X. These infrastructure is available to other development partners with shared interests.



During the reporting period, the European Union supported NDMA to get into a collaboration with Boku University which provided the Authority with monthly remote sensed information to compute various biophysical indicators that were used to classify the severity of drought based on Vegetation Condition Index. This was used as an objective trigger for disbursement of drought contingency funds and cash transfer shock responsive scale ups in four ASAL counties.

**HSNP Scalability Drought Response** *When is a Scale up Triggered?*

- When VCI hits the **Severe** or **Extreme** threshold in any Sub-County in a County
- This generates a quota of households (HHs) to receive a scaled up payment based on;
  - Sub-Counties in **Severe** drought = 50% of all HHs minus - Routine beneficiary HHs
  - Sub-Counties in **Extreme** drought = 75% of all HHs minus - Routine beneficiary HHs



During the reporting period, NDMA in partnership with the University of Nairobi, developed a livestock feed formula for drought affected ASAL counties. The formula was used for commercial production of drought pellets for core breeding stock.

**Contribution to International and Regional Protocols, Conventions and Agreements**

The Authority contributes towards a number of regional and international conventions, agreements and protocols. At the regional level, NDMA contributes towards the IGAD Drought Disaster Resilience and Sustainability Initiative (IDDRSI). Kenya is actualizing this commitment through the Ending Drought Emergencies (EDE) strategy.

- During the reporting period, NDMA participated in a consultative meeting of IGAD member states on drought situation in region in March 2017. Some key decisions made by the Ministers responsible for drought include;
  - (i) Scale-up immediate delivery of humanitarian assistance to drought-affected populations in order to save lives, protect livelihoods and livestock-based assets, whilst enhancing access and removing all impediments to response and recovery efforts.
  - (ii) Develop policies and strategies that mainstream drought response, recovery and resilience into development programmes through their annual budget allocation to mitigate drought emergencies and other disasters as well as to strengthen institutional capacities.
  - (iii) Strengthen regional, national and sub-national drought response coordination, as well as support integrated cross-border management across the region.
  - (iv) Adopt a New Way of working to address the underlying causes of vulnerabilities of the populations to recurrent shocks and stresses that focus on building resilience of communities and seeking durable solutions.
  - (v) Harmonise data and information management platforms on drought to improve responsive planning and investment

At the global level, the Authority contributes to conventions and agreements relating to drought risk management and climate change adaptation such as the Sustainable Development Goals (SDGs), Sendai Framework and the Paris Agreement. During the reporting period:

- NDMA participated in the Conference of Parties on UN Framework Convention on Climate Change and the meeting of the subsidiary bodies. NDMA is plays a key role in the implementation of Nationally Determined Contributions (NDCs) which provides the mechanism for implementing the Paris Agreement. The two areas of NDCs that the Authority implements are: The social protection against climate risks and implementation of Ending Drought emergencies strategy.
- The Authority also participated in a South-South Knowledge Exchange visit in Bogota in April 2017 on disaster risk management between the Government of Kenya and the Government of Colombia.

### **Knowledge Management**

The NDMA endeavours to apply knowledge management approaches that generate evidence for decision making. In this regard, the Authority embarked on development of a knowledge management strategy during the reporting period, which is now in draft form. The strategy is expected to guide generation, storage, assessment and sharing of information to enhance attainment of strategic objectives. This will also facilitate evidence-based decision-making.

### **Public awareness**

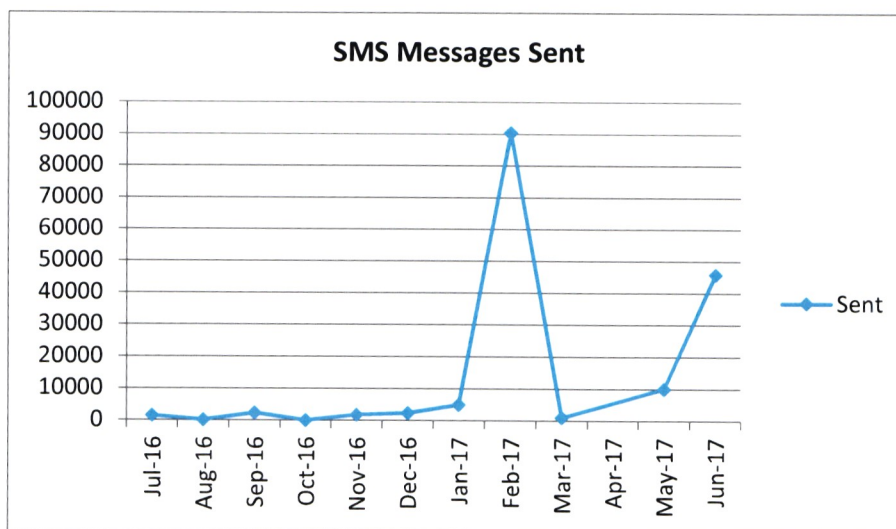
Creation of awareness and understanding across the Authority's different stakeholders is a key requirement of any Government programme and an integral part of knowledge management. The Constitution provides citizens with the right to participate in the decision-making process and other duties of the national and county legislative bodies. Specifically, Articles 118(1) (b) and 196(1) (b) directs the national and county legislatures respectively to "facilitate public participation" in its work. In this regard, NDMA awareness creation activities in the financial year 2016/17 were as follows:

- Enhanced media engagement in which the CEO held several interviews with reporters drawn from various print and electronic national and international media. He also held 10 live talk shows on national TV stations at the height of the drought from January to June 2017. This ensured accuracy of information and advanced the place of the NDMA as the main source of drought information in the country.
- Produced a monthly newsletter to keep stakeholders informed on drought resilience and response activities.
- Used live interviews on local radio stations to disseminate drought early warning messages to communities during which they were able to engage sector experts. These messages, formulated by technical working groups of the County Steering Groups (CSGs), gave precise



and actionable recommendations on what measures should be implemented at community level to protect assets and lives.

- Used local radio stations, international and national media to disseminate information about programmes such as HSNP and drought contingency fund (set-aside funds).



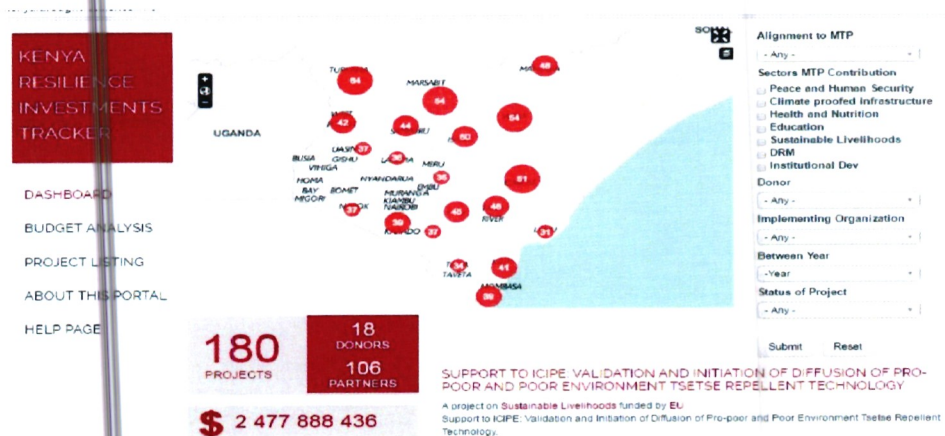
- Reached more than 1,500 subscribers

on the NDMA national and county mailing lists including the media, drought risk management actors, Pastoralist Parliamentary Group (PPG), Council of Governors and development partners.

- Use of an MIS supported SMS platform to disseminate information to over 60,000 mobile phone subscribers across the four counties covered by HSNP.
- HSNP has effectively used its social media platforms for communications e.g. Facebook, Website and Twitter with over 20,000 hits.
- Held several meetings at the international, national and county levels with different target audiences.
- Frequently used public barazas for grassroots communications to reach out to the target communities across the 23 ASAL counties.
- CCA campaigns to raise awareness reached approximately 2,020,630 persons (1,000,211F and 1,020,418M) of the county population using various communications channels that include Radio, CIS Intermediaries, local administrators and technical extension officers.

### Investment tracker

In partnership with UN OCHA, the Authority developed a resilience investment tracking tool that maps who is doing what (resilience investments), where and when. The tool helps the National Government departments and County Governments to coordinate resilience investments, create synergy and reduce duplication of effort. The tool is accessible at <http://www.ndma.go.ke/ede/investments-tracker>.



The Authority coordinated drafting of the EDE country progress report during the reporting period.

### Public access to open data

During the reporting period, the NDMA was recognised as one of the public institutions that made it easier for citizens and other institutions to access and use data. The Authority thus received the Kenya Open Data Award 2016 in recognition of its Hunger Safety Net Programme's outstanding use of open data space by creating an out of the box MIS supported innovation.



The Kenya Open Data Award 2016 presented to the NDMA data

Further, the NDMA, through the HSNP, supported the development and roll out of a single registry for the four national social assistance cash transfer programmes, including HSNP, under the National Safety Net Programme (NSNP). The single registry enabled harmonisation and consolidation of information from the different information systems of the four cash transfer programmes and provided baseline for future planning of programmes. It also enhanced efficient monitoring of the programme and reduced multiple registration of targeted households, thus increasing transparency and accountability in delivery of cash transfers. It also provided.

### Monitoring and Evaluation

NDMA has developed participatory M&E and MIS frameworks which enable tracking of progress towards drought risk management strategic objectives by various Government departments, county governments, civil society organisations and development partners.

In collaboration with various sectors and development partners, NDMA finalised the M&E framework for Ending Drought Emergencies strategy. The framework provides for specific baseline, targets and key performance indicators that will facilitate continuous tracking of progress.

During the reporting period the Authority carried out a number of monitoring and supervision activities by national and county teams. In addition, two evaluation missions were carried namely, Drought Contingency Fund mid-term review and Hunger Safety Net Programme impact evaluation.

The Authority achieved more than 90% of its annual work plan targets and 97% of its Performance Contract targets during the reporting period. These achievements were as a result of committed and highly trained staff, support from the Ministry of Devolution and Planning, National Treasury and development partners.

### **Challenges**

- Resource constraints, particularly for drought response.
- Overreliance on resources from development partners (sustainability).
- Weak linkage between research, planning and implementation/uptake of innovations for dry lands.

**PART ONE: ANNUAL PERFORMANCE.**

**KEY AUTHORITY INFORMATION AND MANAGEMENT**

**(a) Background information**

The National Drought Management Authority (NDMA) is a State Corporation established by the NDMA Act, 2016, with perpetual succession, power to sue and be sued in its own name, and ability to own and alienate movable and immovable property. The Authority is governed by the provisions of the State Corporations Act Chapter 446 of the Laws of Kenya, an Act of Parliament which provides for control and regulation of State Corporations. NDMA falls under the Ministry of Devolution and Planning and is the country’s principal national authority responsible for drought risk management.

The NDMA is a national institution that has already set up operational offices in 23 drought prone counties categorised as Arid and Semi-Arid Lands (ASAL). It plans to expand to other counties over the next few years (see Table 1 on current geographical coverage of NDMA). The 23 counties cover over 80% of Kenya’s land mass as shown in Figure 1 below. In addition, NDMA has satellite offices with limited functions in some former districts where distances from the county offices are long (such as Ijara, Mwingi and Moyale).

**Figure 1: NDMA county offices**

**NDMA County Offices**



**Table 1: Current Geographical coverage of NDMA**

Arid counties		Semi-Arid counties	
Baringo	Samburu	Embu (Mbeere)	Makueni
Garissa	Tana River	Kajiado	Meru (North)
Isiolo	Turkana	Kilifi	Narok
Mandera	Wajir	Kitui	Nyeri (Kieni)
Marsabit		Kwale	Taita Taveta
		Laikipia	Tharaka
		Lamu	West Pokot

## **(b) Principal Activities**

### **Our Vision**

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

### **Our Mission**

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

### **Our Core Values**

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

### **Our mandate**

The Authority derives its mandate from the NDMA Act 2016, in which it is tasked with the responsibility to exercise overall coordination over all matters relating to drought risk management and to establish, either on its own or with stakeholders, mechanisms that will end drought emergencies in Kenya.

### **Our objectives**

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

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

### (c) Key Management

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

- The Chief Executive Officer
- Two (2) Directors
- Ten (10) Managers

### (d) Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	- Mr. James Oduor
2.	Director, Support Services	- Mr. Hashim Ali
3.	Director, Technical Services	- Mr. Sunya Orre

### (e) Fiduciary Oversight Arrangements

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

#### **Human Resources Management Committee**

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

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

- a) Periodic review and advise to the main board on appropriate human resource strategies, policies and procedures;
- b) Advise the board and guide the process on staff recruitment, manpower planning and related budgets;
- c) Advise the board on any reviews required to enhance the effectiveness of manpower development and staff training;
- d) Advise the board on reviews which may be necessary to make the organizational structure, appraisal system, grading system and salary structures more relevant and effective;
- e) Review proposals and advise the board on staff benefits schemes including medical, retirement benefits and insurance schemes among others;

#### **Finance Committee**

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

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

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

#### **Audit & Risk Management Committee**

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

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

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

#### **Technical Committee**

The Committee handles all technical issues of the Authority, including strategic planning, work planning, budgeting, resource mobilization, programmes, projects, and visibility. Its specific mandate includes advising the Board on the following:

1. The overall performance of the Authority.
2. Strategic documents guiding the work of the Authority, including its strategic plan, work plan, budget, and performance contract.
3. Identification, development and implementation of strategic initiatives, programmes and projects, and resource mobilization for these.

4. Technical issues concerning the drought status, including early warning information, food security assessments, and response.
5. Measures to enhance the visibility and accountability of the Authority.
6. Periodic reviews to evaluate the progress and impact of the Authority.

**(f) Authority Headquarters**

National Drought Management Authority  
P.O box 53547-00200  
Lonrho House, 7<sup>th</sup>, 8<sup>th</sup> and 17<sup>th</sup> floors  
Standard/ Kimathi Street  
Nairobi Kenya

**(g) Authority Contacts**

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

**(h) Authority Bankers**

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

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

**(i) Independent Auditors**

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

**(j) Principal Legal Adviser**

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

**THE MANAGEMENT BOARD**

 <p>Hon. Agnes M. Ndetei</p>	<ul style="list-style-type: none"> <li>• Chairperson of the Board (Non- Executive)</li> <li>• BA in Geography &amp; Sociology from University of Nairobi,</li> <li>• Member of Parliament, Kibwezi Constituency (1988-1997). While in Parliament, Hon. Ndetei not only served as an Assistant Minister for Education but also as a Member Public Accounts Committee and Deputy Speaker of the National Assembly.</li> </ul>
 <p>Ms. Emily Kithira Mworira</p>	<ul style="list-style-type: none"> <li>• MBA Global Business Administration - USIU</li> <li>• BA- University of Nairobi</li> </ul>
 <p>Mr. Rashid Kassim Amin</p>	<ul style="list-style-type: none"> <li>• MBA Strategic Management</li> <li>• BSC Animal Production</li> <li>• Diploma in Animal Health</li> </ul>
 <p>Mr. James Oduor</p>	<ul style="list-style-type: none"> <li>• Chief Executive Officer and Secretary to the Board</li> <li>• Msc. Agricultural extension &amp; training.</li> <li>• Bsc. General Agriculture.</li> </ul>

 <p>Mr. Kasembeli Nasiuma</p>	<ul style="list-style-type: none"> <li>• Board member, representing PS. National Treasury</li> <li>• MBA- Moi University</li> <li>• Bachelor of social science University of Nairobi</li> <li>• Advanced Diploma in Financial Management KCA</li> </ul>
 <p>Dr. Florence Bett</p>	<ul style="list-style-type: none"> <li>• Masters in Public Health</li> <li>• Degree in Medicine</li> <li>• Strategic leadership in development program from Kenya School of Law</li> <li>• Representing PS Special programs</li> </ul>
 <p>Mr. Timothy Mosiany</p>	<ul style="list-style-type: none"> <li>• B.Sc. in Management and Conservation – University of Nairobi</li> <li>• Diploma in Tourism Management- Technical University of Kenya</li> </ul>
 <p>Mrs. Nancy Muthoni Njiro</p>	<ul style="list-style-type: none"> <li>• Bcom Accounting – University of Nairobi</li> <li>• Certified Public Accountant (K) - ICPAK</li> <li>• Diploma in Banking</li> </ul>

**(a) Board Committees**








Name of the Committee	Members
Finance Committee	1. Rashid Kassim 2. Nasiuma Kasembeli 3. Dr. Florence Bett 4. Emily Mworio
Audit Committee	1. Emily Mworio 2. Nasiuma Kasembeli 3. Rashid Kassim
Human Resource Committee	1. Emily Mworio 2. Rashid Kassim 3. Dr. Florence Bett
Technical Committee	1. Rashid Kassim 2. Nasiuma Kasembeli 3. Dr. Florence Bett 4. Emily Mworio

**N.B:** Please note that we do acknowledge the composition of both the Finance and Audit committees which appears to have the same membership. This was attributed by the minimal number of the board members after the expiry of the term of the former board that had come to an end. As we awaited the new one to be constituted the committees had to continue functioning.

**As at the time of reporting, the composition is as follows:**

Name of the Committee	Members
Finance Committee	1. Nancy Njiro-----Chairperson 2. Ephantus Waruingi 3. Nasiuma Kasembeli 4. Emily Mworio
Audit Committee	1. Timothy Mosiany----Chairperson 2. Emily Mworio 3. Ephantus Waruingi
Human Resource Committee	1. Emily Mworio----Chairperson 2. Nasiuma Kasembeli 3. Ephantus Waruingi 4. Robert Kiteme
Technical Committee	1. Robert Kiteme----Chairperson 2. Nasiuma Kasembeli 3. Nancy Njiro 4. Timothy Mosiany

**MANAGEMENT TEAM**

 <p>Mr. James Oduor</p>	<p>Chief Executive Officer -Msc. Agricultural Extension &amp; Training. -Bsc. General Agriculture.</p>
 <p>Ms. Ruth Gathii</p>	<p>Director, Resource Mobilisation and Advocacy -MBA, B.com, Diploma in Community Based Development.</p>
 <p>CPA Hashim Ali</p>	<p>Director, Support Services -MBA, CPAK, CIA. - ICPAK Membership No.2980</p>
 <p>Mr. Sunya Orre</p>	<p>Director, Technical Services -Msc. Range Management, Bsc .Animal Production, Diploma Animal Husbandry.</p>
 <p>CPA Yussuf Bagaja</p>	<p>Manager, Finance and Accounts -MBA (Finance Option), B.com, CPAK, Diploma in Accountancy, Senior management course. - ICPAK Membership No.8335</p>
 <p>Mr. Hussein Bilala</p>	<p>Manager, supply chain -Msc. Supply Chain &amp; Logistics, Bsc. Business Administration, Advanced diploma-CIPS.</p>
 <p>Mr. Paul Obunde</p>	<p>Manager, Policy and Planning -Msc. Environmental Economics &amp; Environmental Management, BA in Economics.</p>

NATIONAL DROUGHT MANAGEMENT AUTHORITY FINANCIAL STATEMENTS AND ANNUAL  
REPORT FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2017

 <p>CPA Martin Kiveu</p>	<p>Manager, Internal Audit -Bsc. International Business Administration, CPAK, Diploma in Cooperative Mgt. - ICPAK Membership No.4221</p>
 <p>Mr. George Kimunguyi</p>	<p>Manager, ICT -Msc. In IT, Bsc. Applied Statistics, Certificate in Senior Management course, Cert. Public enlightenment using multimedia, mail system &amp; network admin, Cisco Certified.</p>
 <p>Mr. Lucas Lembara</p>	<p>Manager, Contingency Planning and Resilience PHD Ongoing -MA Environmental Planning, Bsc. Agriculture, Cert. Forestry, Cert. EIAA</p>
 <p>Mr. Paul Kimeu</p>	<p>Manager, Drought Resilience MBA Strategic Management, Msc. Agricultural Engineering, Dip. Agricultural Engineering, Dip. Management of NGOs.</p>
 <p>Mr. John. K. Mwangi</p>	<p>Manager, Drought Information Masters in Project Planning &amp; Management, Bachelor of science in animal production and Diploma in Range Management</p>
 <p>Eng. Hussein Jirma</p>	<p>Eng. Hussein Jirma Manager, Resource Mobilisation and Partnership -BSc. Civil Engineering -MSc. Water and Environmental management</p>
 <p>Mr. Patrick Musichi</p>	<p>Manger, Human Resource &amp; Administration Bachelor of Arts, Higher diploma in Human Resources Management and Diploma in Sales and Marketing.</p>

## CHAIRPERSON'S STATEMENT

It gives me immense pleasure in presenting the NDMA annual report for the year ended 30<sup>th</sup> June 2017. During the year under review, the Authority continued executing its core mandate of overall coordination over all matters relating to drought risk management.

During the reporting period, the country experienced a severe drought arising from four successive failed rain seasons. Consequently, His Excellency the President declared drought a disaster in February 2017. I am proud to note that NDMA made remarkable difference in averting losses and damages to livelihoods by providing early warning information that enabled appropriate decisions by stakeholders. This activated suitable preparedness mechanisms which guided choice of early actions to protect assets and lives across the affected ASAL counties.

The NDMA responded through a three-thronged approach: a Drought Contingency Fund provided by the European Union; scalable cash transfers under the Hunger Safety Net Programme (HSNP); and resource mobilisation from the National Treasury and other partners.

To ensure value for money, the NDMA Board has made a commitment to focus on improving efficiency of the Authority in service delivery. Improving governance is thus the top priority of the Board.

This report gives an insight into activities undertaken by the Authority during the reporting period, with an aim of keeping stakeholders well informed. On behalf of the Board, I wish to convey my appreciation to the management and staff of the NDMA for their hard work and dedication, and to the Government and our partners for their continued support.

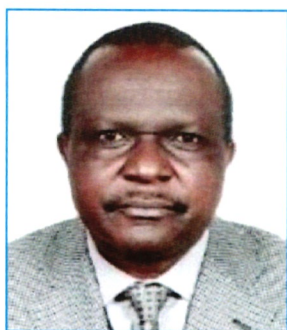
Chairperson



Date

30/9/2017

**REPORT OF THE CHIEF EXECUTIVE OFFICER (MR JAMES ODUOR)**



Alongside the functions spelt out in the NDMA Act 2016, the Authority is the focal point for the Government's Ending Drought Emergencies (EDE) strategy, through which it has committed to end drought emergencies in Kenya by 2022.

The Authority is strategically focusing on delivering on its mandate and has thus aligned its annual work plans, budgets and performance contracts to its strategic objectives the goal of building resilience and ending drought

emergencies. Particularly, NDMA ensures that overall development process takes drought and climate risks into account in line with the Sendai Framework for Disaster Risk Reduction (DRR). To achieve this, the Authority has spearheaded mainstreaming of drought risk reduction, climate change adaptation and social protection in planning, budgeting and accountability processes and integrating new streams of finance within the drought and

climate risk management frameworks at national and county levels. It has also been carrying out capacity building of staff to ensure they are all up to task in delivering on its mandate.

Article 5 (m) of the NDMA Act requires the Authority to 'prepare and issue an annual report on the state of drought management in Kenya'. While the report centres on the operations of the Authority in line with the conditions of Article 24 of the Act (Box 1), it also creates space for the perspectives and experiences of the partners that it coordinates. Drought management is multi-sectoral - involving Government, development partners and non-governmental organisations whose actions are either aimed at building community resilience to drought or humanitarian interventions during drought episodes.

During the reporting period, the country experienced a debilitating drought that left over 3.5 million People in need of relief assistance.

The Government declared the drought a national disaster and put in place a three-phased intervention plan with a budget of Kshs22 billion. The interventions ensured that no life was lost. Despite the fact that the 2016/17 drought was more severe than the 2010/2011 drought, losses and damages to ASAL livelihoods were far much less. This is attributed to coordinated contingency planning, resource mobilisation and timely activation and targeting.

The report is divided into two parts. The first part provide background information on the Authority, its management and corporate statement, achievements in execution of its mandate over the past year including leveraging partnerships with county governments, sectors and development partners. Part two presents the Authority's financial statements.

**Box 1: Provisions of Article 24 of the NDMA Act, 2016**

and

- (1) The Board shall, within three months of the end of a financial year, prepare and submit to the Cabinet Secretary an annual report on the operations of the Authority for the preceding year.
- (2) The annual report submitted under subsection (1) shall include –
  - a) the financial statements of the Authority; and
  - b) A detailed report of the activities of the Authority.
- (3) The Cabinet Secretary shall, within thirty days of receipt of the annual report, cause the report to be laid before the National Assembly.

the

Chief Executive Officer [  ] Date 30-09-17

## CORPORATE GOVERNANCE STATEMENT

### 2.1 Core Values

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

### Role of the Board of Management

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

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

The Boards responsibilities are clearly stated in the Authority's Board charter and the NDMA Act 2016. These include:

- Formulate policies to achieve its mandate.
- Provide strategic direction, leadership and oversight to the secretariat.
- Undertake such activities as may be necessary for the discharge of its functions and the exercise of its powers.

### Board meetings

The Board and its committees meet not less than four times in a calendar year. Not more than four months should lapse between meetings. The calendar of the meetings is circulated well in advance while meeting invitations to Board members are sent two weeks in advance.

### Board committees

The Authority has four committees in line with the 'Mwongozo' namely;

- i. Human Resource Management Committee
- ii. Finance Committee
- iii. Audit and Risk Management Committee
- iv. Technical Committee

The Board committees consider the management reports ahead of the full Board. This allows for in-depth consideration of issues to enable decision making process of the full Board. After scrutiny, the specific committee presents its report and recommendations to the Full Board for consideration.

### **Human Resources Management Committee**

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

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

- a) Periodic review and advise to the main board on appropriate human resource strategies, policies and procedures;
- b) Advise the board and guide the process on staff recruitment, manpower planning and related budgets;
- c) Advise the board on any reviews required to enhance the effectiveness of manpower development and staff training;
- d) Advise the board on reviews which may be necessary to make the organizational structure, appraisal system, grading system and salary structures more relevant and effective; and
- e) Review proposals and advise the board on staff benefits schemes including medical, retirement benefits and insurance schemes among others.

### **Finance Committee**

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

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

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

### **Audit & Risk Management Committee**

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

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

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

### **Technical Committee**

The Committee handles all technical issues of the Authority, including strategic planning, work planning, budgeting, resource mobilization, programmes, projects, and visibility. Its specific mandate includes advising the Board on the following:

- a) The overall performance of the Authority;
- b) Strategic documents guiding the work of the Authority, including its strategic plan, work plan, budget, and performance contract;
- c) Identification, development and implementation of strategic initiatives, programmes and projects, and resource mobilization for these;
- d) Technical issues concerning the drought status, including early warning information, food security assessments, and response;
- e) Measures to enhance the visibility and accountability of the Authority; and
- f) Periodic reviews to evaluate the progress and impact of the Authority.

### **Communication**

The Board and the CEO communicate policy matters to the wider public. The decision of the Board is communicated to the staff through memos. The Board receives the management reports two weeks in advance before the Board meeting. Individual Board members cannot omit the Board when having informal discussions with staff members.

## **CORPORATE SOCIAL RESPONSIBILITY**

The Authority carried out a number of activities that directly contributed towards improving livelihoods, incomes and the living environment of drought prone communities as part of its mandate and corporate social responsibility. Some of these activities include:

- i. Provided regular and unconditional cash transfers as part of social protection to the poorest households in four poorest counties of Turkana, Mandera, Wajir and Marsabit.
- ii. Provided shock-responsive cash transfer scale up to vulnerable households during the drought period.
- iii. Invested in drought preparedness projects.
- iv. Supported livestock offtake and supply of livestock feeds in 22 drought affected counties.
- v. Supported communities to develop drought response plans and community action plans.
- vi. Provided fast-moving spare parts for strategic boreholes and repaired boreholes for communities.
- vii. Supported integrated health and nutrition outreaches in hard to reach parts of affected ASAL counties.

### **Sustainability Statement**

NDMA is committed to the sustainability of its operations including environmental sustainability of infrastructure projects. Towards this end, the Authority has adopted a participatory approach in planning, implementation and monitoring and evaluation of its operations. In particular, the use of community managed disaster risk reduction (CMDRR) processes, and Ward and County drought contingency planning process have contributed towards building capacity of communities and sectors to develop their own plans and mobilise resources for drought response activities.

The Authority has supported mainstreaming of drought risk reduction into planning and budgeting processes at national and county level. For example, it has mainstreamed drought risk management in the Vision 2030 Medium Term Plan and County Integrated Development Plans (CIDPS) in ASAL counties.

As part of its environmental sustainability agenda, the Authority has developed an environmental sustainability policy and has been submitting its reports to the National Environment Management Authority.

## PART TWO: ANNUAL ACCOUNTS

### FINANCIAL MANAGEMENT AND ACCOUNTS

#### Statement of Management Board Responsibilities

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

The Board is responsible for the preparation and presentation of the Authority's financial statements, which must give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year (2016/2017) ended on June 30, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Board accepts responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Board is of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2017, and of the Authority's financial position as at that date. The Board further confirms the completeness of the accounting records maintained for the Authority which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

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

#### Approval of the financial statements

The Financial Statements set out on pages 1 to 20 were approved on behalf of the Board on 29<sup>th</sup> September 2017 and thus this initial draft signed on behalf of the board by:



Chairperson



Chief Executive Officer

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON NATIONAL DROUGHT MANAGEMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2017

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#### REPORT ON THE FINANCIAL STATEMENTS

##### Qualified Opinion

I have audited the accompanying financial statements of National Drought Management Authority set out on pages 2 to 20, which comprise the statement of financial position as at 30 June 2017, 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 audit.

In my opinion, except for the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of National Drought Management Authority as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standard (Accrual Basis) and comply with Public Finance Management Act, 2012.

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

##### Basis for Qualified Opinion

#### 1. Plant, Property and Equipment

During the financial year 2016/2017 the Authority revalued its plant, property and equipment from Kshs.637,151,088 as at 30 June 2016 to Kshs.361,849,239. However, the revaluation report provided for audit did not contain the certificate of the professionals who were involved in the exercise and as a result, the validity of the valuation report could not be ascertained. Consequently, the completeness and accuracy of plant, property and equipment balance of Kshs.338,186,155 as at 30 June 2017 as reflected in the statement of financial position cannot be confirmed.

## 2. Unutilized Balances from Counties

Disclosed at Note 15 to the financial statements are receivables from non-exchange contracts totalling Kshs.50,711,946. Included in the total amount is Kshs.13,510,403 relating to unutilized balances from counties. However, there were no confirmations from the respective county offices of the amounts held at the end of the financial year or any documentary evidence in support of the balances. Under the circumstances, the completeness and accuracy of the unutilized balances from the counties amounting to Kshs.13,510,403 can not be confirmed.

## 3. Donor Related Funded Activities

### (i) Unreconciled donor related expenses

Notes 3, 4 and 12 to the financial statements reflects the following amounts/balances for donor related funded activities:

Details/Donor	HSNP	WFP/FFA	DCFP & KRDP	UNDP DRR
	Kshs.	Kshs.	Kshs.	Kshs.
Opening bank balance	47,115,305	37,001,689	3,829,649	23,076
Receipts during the year	2,496,000,000	165,000,000	62,000,000	-
Closing bank balance	(43,958,552)	(54,618,925)	(123,579)	(1,953,349)
Expected expenditure	2,499,156,753	147,382,764	65,706,070	(1,930,273)
Recorded expenditure	(2,312,626,82)	(132,173,073)	(105,187,863)	(9,320,494)
<b>Variance</b>	<b>186,529,927.00</b>	<b>15,209,691.00</b>	<b>(39,481,793)</b>	<b>(11,250,767)</b>

However, the expected expenditure after taking into account the opening bank balances, receipts during the year and the closing balance bank balances differs the recorded expenditure by Kshs.11,250,767. The resulting variance has not been reconciled or explained. Consequently, the accuracy of reported donor related funded activities expenses can not be confirmed.

### (ii) Expenses on Drought Contingencies Fund

Disclosed at Note 12 to the financial statements is an amount of Kshs.435,918,831 in respect of expenses on Drought Contingencies Fund (DCF), which is also indicated as a receipt under Note 3. The basis of the requisition for disbursement by the various county offices has not been supported by necessary documentation justifying the extent of the fund required to undertake the given interventions. In addition, the expenditure has been captured on the basis of an expenditure verification report by

an audit firm contracted by the management. In the circumstances, the expenses of Kshs.435,918,831 cannot be confirmed.

**(iii) Expenses on Ending Drought Emergencies**

Disclosed also in Note 12 to the financial statements is an amount of Kshs.719,161,995 relating to expenses on Ending Drought Emergencies (EDE) which is similarly reported as a receipt in Note 3. The basis of the requisition for disbursements to the various county offices and other procurement activities have not been supported by necessary documentation justifying the extent of the fund required to undertake the given interventions. In addition, the expenditure has been captured on the basis of expenditure verification reports by an audit firm contracted by the management. In the circumstances, the expenses of Kshs. 719,161,995 cannot be confirmed.

**(iv) Expenses on Hunger Safety Net Programme**

Further, disclosed in Note 12 to the financial statements is an amount of Kshs.1,742,691,022 relating to expenses under the Hunger Safety Net Programme (HSNP-donor AIA), which is also indicated as a receipt in Note 3. The expenditure and the receipts are based on the requisitions made to fund various activities but the accountabilities documentation in support of the expenses have not been provided for audit verification. In addition, the Hunger Safety Net Programme (GOK component) expenditure of Kshs.2,312,626,824 that comprised of payments to various beneficiaries did not have a documented basis on how the beneficiaries paid were identified and the rates used for paying the beneficiaries, respectively. In the circumstances the validity of the expenses cannot be confirmed.

**4. Pension Scheme Expenses**

The Authority operates a registered defined contribution Pension Scheme for the employees. Although the scheme is independent with trustees duly elected by members, the management included in the financial statements for 2016/2017 expenditure amounting to Kshs. 1,075,400 in respect of the scheme under employees' compensation and Kshs. 260,000 in respect of general expenses training. The total expenditure of Kshs.1,335,400, therefore, appear not to be a valid charge on the Authority's fund.

**5. Unsupported Expenditure**

Supporting documentation and records for the following expenditure were not provided for audit verification.

<b>Expense Category</b>	<b>Amount Kshs.</b>
Employee Costs – Travel Costs (Domestic)	4,846,350
Donor Related Funded Activities	
(i) DCFP (GOK)	8,064,923
(ii) UNDP	7,009,634
(iii) WFP	872,950
<b>Total</b>	<b>20,793,857</b>

The validity of the above expenditure totalling Kshs. 20,793,857 can not be confirmed under the circumstances.

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

### **Key Audit Matters**

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

### **Other Matter**

#### **1. Signing of Financial Statements**

The Authority has a functional board of management as indicated on pages vii, viii and ix of the annual report. However, contrary to the statement on page 1 regarding board of management responsibilities, the financial statements submitted for audit were signed by the Chief Executive Officer only. Under the circumstances, it is not possible to establish whether or not the board of management has taken full responsibility for the preparation and presentation of the Authority's financial statements in line with the legal obligation of the board.

#### **2. Board Committees**

The audit and risk committee of the board is made up of three members. Two of these members also form part of finance committee which comprises of four members. In the circumstances, the effectiveness of the audit committee in checking the decision of the finance committee cannot be confirmed.

#### **3. National Drought Emergencies Fund**

The Authority received an amount of Kshs.2,000,000,000 for the government on behalf of National Drought Emergency Fund (NDEF). The Fund is supposed to be independent, managed and operated by the Chief Executive Officer of the National Drought Management Authority, who is supposed to prepare and present financial statements of the Fund to the Auditor- General for audit at the end of every financial year. However, no financial statements of the Fund have been prepared and submitted for audit.

In addition, maintenance and operation of the Fund has not been in line with the relevant provisions of National Drought Management Act, 2016 as there is no separate cashbook and other books of account in respect of the Fund. The

management is, therefore, in breach of the law with regard to operation and management of this Fund.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

In preparing the financial statements, management is responsible for assessing the Authority's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to cease operations of the Authority, or have no realistic alternative but to do so.

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

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. 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 when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

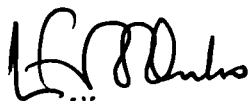
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude 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 ability 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 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 activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide 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**

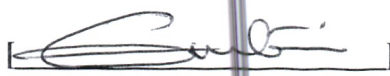
**Nairobi**

**12 October 2018**

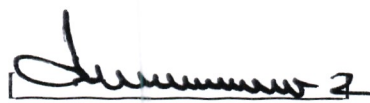
**STATEMENT OF FINANCIAL PERFORMANCE**

For the year ended 30 June 2017

	Note	2016-17 Kshs	2015-16 Kshs
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations	3	3,008,156,848	5,066,602,421
Transfers from other governments – gifts and services-in-kind	4	3,220,875,070	1,893,284,406
		<b>6,229,031,918</b>	<b>6,959,886,827</b>
<b>Revenue from exchange transactions</b>			
Rental revenue from facilities and equipment	5	908,223	193,000
Other income- Bank Interest earned	6	6,180,833	2,931,453
		<b>7,089,056</b>	<b>3,124,453</b>
<b>Total revenue</b>		<b>6,236,120,974</b>	<b>6,963,011,280</b>
<b>Expenses</b>			
Employee costs	7	639,897,541	441,613,366
Remuneration of Board members	8	25,398,861	6,345,755
Depreciation and amortization expense	9	58,942,591	7,710,017
Repairs and maintenance	10	38,133,611	7,599,547
General Expenses	11	126,751,311	43,721,829
Donor-activities' related costs	12	5,459,071,912	6,319,271,771
Bank charges (Finance costs)		952,230	164,509
<b>Total expenses</b>		<b>6,349,148,057</b>	<b>6,826,426,794</b>
<b>Surplus for the period</b>		<b>-113,027,083</b>	<b>136,584,487</b>

  
Chairperson

Date... 30/9/2017

  
Chief Executive Officer

Date... 30-09-17

**STATEMENT OF FINANCIAL POSITION**

As at 30 June 2017

	Notes	2016-17 Kshs	2015-16 Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	14	2,129,935,841	151,043,097
Receivables and prepayments	15	50,711,946	143,961,013
Inventories	16	4,025,234	2,458,252
		<b>2,184,673,021</b>	<b>297,462,362</b>
<b>Non-current assets</b>			
Property, plant and equipment	17	338,186,155	637,151,087
<b>Total assets</b>		<b>2,522,859,176</b>	<b>934,613,448</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	18	2,037,398,918	86,973,868
<b>Net assets</b>		<b>485,460,257</b>	<b>847,639,581</b>
<b>Financed By</b>			
Capital fund		366,338,881	615,491,122
Accumulated surplus		119,121,376	232,148,459
<b>Total net assets and liabilities</b>		<b>485,460,257</b>	<b>847,639,581</b>

  
Chairperson

  
Chief Executive Officer

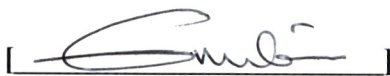
Date.....20/9/2017

Date.....30-09-17

**STATEMENT OF CHANGES IN NET ASSETS**

For the year ended 30 June 2017

	Accumulated Fund Kshs	General Reserve Kshs	Total Kshs
<b>Balance as at 01 JULY 2015</b>	615,498,322	95,563,972	711,062,294
Transfers to/from accumulated surplus	(7,200)	136,584,487	136,577,287
<b>Balance as at 30 JUNE 2016</b>	<b>615,491,122</b>	<b>232,148,459</b>	<b>847,639,581</b>
<b>Balance as at 01 JULY 2016</b>	<b>615,491,122</b>	<b>232,148,459</b>	<b>847,639,581</b>
Transfers to/from accumulated surplus	(249,152,241)	(113,027,083)	(362,179,324)
<b>Balance as at 30 JUNE 2017</b>	<b>366,338,881</b>	<b>119,121,376</b>	<b>485,460,257</b>



Chairperson

Date... 30/9/2017



Chief Executive Officer

Date... 30-09-17

**STATEMENT OF CASH FLOWS**

**Statement of Cash flow for the year ended 30th June 2017**

	<i>Notes</i>	<b>2016-17 Kshs</b>	<b>2015-16 Kshs</b>
<b>Cash generated from operations:</b>			
Surplus for the Year 2016/2017		(113,027,083)	136,584,487
<i>add</i>			
Depreciation	9	58,942,591	7,710,017
<b>Net Cash generated from operations:</b>		<b>(54,084,492)</b>	<b>144,294,503</b>
<b>Changes in Working Capital</b>			
Increase/decrease in inventories	16	(1,566,982)	1,574,805
Increase/decrease in receivables-non exchange	15	93,249,068	(73,436,379)
Increase/decrease in other payables and accruals	18	1,950,425,050	50,986,483
<b>Net changes in working capital</b>		<b>2,042,107,136</b>	<b>(20,875,091)</b>
<b>Net cash generated from Operating Expenses</b>		<b>1,988,022,644</b>	<b>123,419,412</b>
<b>Cash flows from Investing Activities</b>			
Buildings		-	-
Computer and Accessories		(7,285,722)	(13,193,681)
Furniture and fixtures		(1,844,177)	(1,719,397)
Vehicle		-	-
Proceeds from disposal		-	-
<b>Net cash used in Investing Activities</b>	17	<b>(9,129,899)</b>	<b>(14,913,078)</b>
<b>Cash flows from Financing Activities</b>		-	<b>(7,200)</b>
<b>Increase / (decrease) in cash and cash equivalents</b>		<b>1,978,892,745</b>	<b>108,499,134</b>
<b>Movement in cash and cash equivalents</b>			
At start of year		151,043,097	42,543,963
At end of year-recurrent		<b>2,129,935,842</b>	<b>151,043,097</b>
<b>At the end of the year</b>	14	<b>2,129,935,842</b>	<b>151,043,097</b>

  
Chairperson

Date.....30/9/2018

  
Chief Executive Officer

Date.....30-09-17

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2016-2017	2016-2017	2016-2017	2016-2017	2016-2017
<b>Revenue</b>					
Public contributions and donations Revenue	110,508,848	(508,848)	110,000,000	110,000,000	-
Public contributions and donations AIA	2,500,469,034	210,812,370	2,711,281,404	2,898,156,848	(186,875,444)
Government grants and subsidies (recurrent)	583,875,070	24,000,000	607,875,070	607,875,070	1
Government grants and subsidies (development)	2,613,000,000	0	2,613,000,000	2,613,000,000	-
Tender sale income	0	0	0	73,504	(73,504)
Interest income	2,000,000	0	2,000,000	6,107,329	(4,107,329)
Rental revenue	700,000	0	700,000	908,223	(208,223)
<b>Total Income</b>	<b>5,810,552,952</b>	<b>234,303,522</b>	<b>6,044,856,474</b>	<b>6,236,120,974</b>	<b>(191,264,500)</b>
<b>Expenses</b>					
Compensation of employees (NDMA)	491,520,071	42,065,369	533,585,440	529,108,148	4,477,292
Utility expenses	5,200,001	551,094	5,751,095	5,783,135	(32,040)
Communication costs	23,980,000	(12,665,063)	11,314,937	11,580,127	(265,190)
Travelling & Accommodation (domestic)	23,696,800	26,315,437	50,012,237	50,828,499	(816,262)
Travelling & accommodation (foreign)	4,581,086	4,510,207	9,091,293	9,091,293	0
Publishing, printing, advertising & subscriptions	2,500,000	(108,621)	2,391,379	2,408,299	(16,920)
Rent paid	25,558,512	(5,451,232)	20,107,280	20,107,280	0
Training expenses	28,260,000	(1,674,033)	26,585,967	26,585,967	0
Board	23,980,000	4,399,472	28,379,472	25,398,861	2,980,611
Medical insurance (NDMA)	56,300,000	(6,420,835)	49,879,165	50,869,602	(990,437)
Goods, supplies, hospitality & services	21,400,000	(5,335,660)	16,064,340	14,508,112	1,556,228
Fuel & lubricants	33,600,000	(19,382,821)	14,217,179	14,371,179	(154,000)
Membership fees, Finance & Contracted Services Costs	11,247,804	(2,179,230)	9,068,574	9,084,664	(16,090)
Audit fees	1,120,000	(1,120,000)	0	1,160,000	(1,160,000)
Motor vehicle maintenance	33,600,000	(7,388,366)	26,211,634	26,457,303	(245,669)
Motor vehicle insurance	0	142,247	142,247	142,247	(0)
Depreciation	0	0	0	58,942,591	(58,942,591)
Maintenance of Other Assets	9,500,000	1,834,628	11,334,628	11,676,309	(341,681)
Drought coordination response (DCR)	0	24,000,000	24,000,000	21,972,530	2,027,470
Donor related activities-AIA	2,500,469,034	210,812,370	2,711,281,404	2,897,766,848	(186,485,444)
Grants and subsidies	2,613,000,000	0	2,613,000,000	2,561,305,064	51,694,936
<b>Total expenditure</b>	<b>5,909,513,308</b>	<b>252,904,963</b>	<b>6,162,418,271</b>	<b>6,349,148,057</b>	<b>(186,729,786)</b>
<b>Surplus for the period</b>	<b>(98,960,356)</b>	<b>(18,601,441)</b>	<b>(117,561,797)</b>	<b>(113,027,083)</b>	<b>(4,534,714)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Statement of compliance and basis of preparation

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

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

### Summary of significant accounting policies

#### Revenue recognition

##### Revenue from non-exchange transactions

##### Transfers from other government entities

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

##### *Tender sale income*

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

The period under review there was no sale of tender documents.

##### *Interest income*

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

##### *Rental income*

Rental income is arising from the Authority's guest houses in Mandera and Moyale. Initially the guest house in Mandera had been leased by the County Government which saw the incomes generated to grow. The facility is however in a deteriorating condition which has resulted to guests seek for better facilities in the area hence the continuous reduction of collections. Plans are however under way for some refurbishment. The same is recognised when earned.

### **Budget information**

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

### **Property, plant and equipment**

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

### **Depreciation Policy**

Depreciation is calculated on reducing balance (as per the proposed finance manual) basis at annual rates from the year of purchase. An amount of Ksh. 610,706,325.85 relates to property, plant and equipment were inherited from the Arid Lands Resource Management Project (ALRMP) at their historical cost values. The Authority was able to carry out the valuation as at end of 30<sup>th</sup> June 2017 and the revaluation report was adopted by the Board during the year. The fixed asset schedule has thus been adjusted to show the correct position. All assets have been depreciated at the rates applicable as per NDMA finance manual as shown below

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

### **Inventories**

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

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

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

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

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

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

### **Provisions**

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

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

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

The Authority did recognise provision for audit fee during the year under audit since it was evident that there was an obligation to pay.

### ***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. Nothing has come to the attention of the Authority that there is any likely of a contingent liability to occur.

### ***Contingent assets***

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

the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

#### **Nature and purpose of reserves**

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

#### **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.

#### **Employee benefits**

##### **Retirement benefit plans**

The National Drought Management Authority Staff Pension Scheme was registered on 14<sup>th</sup> August 2015 with an effective date of 1<sup>st</sup> March 2013. Contributions into the scheme commenced in the month of August 2015 with employees contributing 10% of basic salary and the employer (Sponsor) contributing equivalent of 20% of the employee's basic salary into the scheme.

Taking into account that the effective date of the scheme was 1/3/2013, the sponsor undertook to seek funds to pay into the scheme the 20% employer portion into the scheme w.e.f 1/3/2013.

In FY2016/17, an allocation to cater for the 20% employer portion was made in the NDMA budget for payment into the scheme by 30<sup>th</sup> June 2017 and the same was successfully achieved, hence the employer is not tied to any past pension benefits.

This pension scheme which is a defined contribution operates under a Trust Deed and Rules where the same has put the eligible membership age to be 55yrs and below. Any employees who had attained the age of 55yrs by the inception date was taken under Contractual terms of employment where they will be entitled to a gratuity upon their retirement dates.

#### **Foreign currency transactions**

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

### **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. The Authority did not enter into any borrowing transactions during the year under audit.

### **Related parties**

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

#### **Key management compensation:**

	<b>2016-17</b>	<b>2015-16</b>
Directors	8,168,333.00	9,802,000.00
Managers	18,843,067.00	18,294,240.00
<b>TOTAL</b>	<b>27,011,400.00</b>	<b>28,096,240.00</b>

*N.B: Please note that the amount of Ksh. 27,011,400.00 disclosed above relate salaries paid to top management staff of the organization. These were paid through the monthly payrolls and forms part of the employee related costs figure of Ksh. 346,115,237 on note number 7.*

### **Service concession arrangements**

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

### **Cash and cash equivalents**

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

## **Comparative figures**

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

## **Significant judgments and sources of estimation uncertainty**

The preparation of the Authority's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

### ***Estimates and assumptions***

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

### ***Useful lives and residual values***

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

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

### ***Provisions***

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

### **Subsequent events**

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

NATIONAL DROUGHT MANAGEMENT AUTHORITY DRAFT FINANCIAL STATEMENTS  
AND ANNUAL REPORT FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2017

**3. Public contributions and donations**

	<b>2016-17</b>	<b>2015-16</b>
	<b>Kshs</b>	<b>Kshs</b>
Receipts for UNDP projects (Revenue)	-	47,028,663.00
Receipts from WFP (Revenue)	110,000,000	40,456,272
Receipts from ARC	-	2,185,200
Receipts from HSNP (donor-AIA)	1,742,691,022	4,399,950,230
Receipts from UNDP (donor-AIA)	-	42,367,071
Receipts from KRDP (donor-AIA)	-	270,491,230
Receipts from DCFP ( donor -AIA)	435,913,831	264,123,755
Receipts from EDE-DRMC ( donor -AIA)	719,551,995	-
<b>Total transfers and sponsorships</b>	<b>3,008,156,848</b>	<b>5,066,602,421</b>

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

	<b>2016-17</b>	<b>2015-16</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Unconditional grants</b>		
Operational grant	607,875,070	498,684,406
	<b>607,875,070</b>	<b>498,684,406</b>
<b>Conditional grants</b>		
World Food Programme	55,000,000	53,000,000
Hunger Safety net Programme	2,496,000,000	1,092,000,000
Kenya Rural Development Programme	30,000,000	119,600,000
Drought Contingency funds	32,000,000	130,000,000
	<b>2,613,000,000</b>	<b>1,394,600,000</b>

**5. Rental revenue from facilities and equipment .**

	<b>2016-17</b>	<b>2015-16</b>
	<b>Kshs</b>	<b>Kshs</b>
Rental Income	908,223	193,000
<b>Total rentals</b>	<b>908,223</b>	<b>193,000</b>

**6. Other income**

	<b>2016-17</b>	<b>2015-16</b>
	<b>Kshs</b>	<b>Kshs</b>
Tender sale income	20,000	84,000
Miscellaneous Income	53,504	34,148
Interest on bank balances - Gross	7,184,462	3,290,215
Tax in interest Withheld	(1,077,133)	(476,909)
<b>Total other income</b>	<b>6,180,833</b>	<b>2,931,453</b>

## 7. Employee costs

	2016-17	2015-16
	Kshs	Kshs
Employee related costs - salaries and wages (NDMA)	378,777,408	346,115,237
Employee related costs - contributions to NSSF	811,650	706,800
Employee related costs - contributions to Pension	140,852,096	40,030,996
Employee related costs - contributions to NITA	181,000	-
Employee related costs - gratuity	7,410,593	14,954,529
Employee related costs - pension	1,075,400	140,000
Medical Insurance-NDMA	45,688,789	37,810,069
Group personal insurance	5,180,813	
Travel costs (domestic)	50,828,499	1,637,450
Travel costs (foreign)	9,091,293	218,286
<b>Employee costs</b>	<b>639,897,541</b>	<b>441,613,366</b>

## 8. Remuneration of Board Members

	2016-17	2015-16
	Kshs	Kshs
CEO's Remuneration	5,778,572	4,850,000
Honoraria	480,000	960,000
Allowances	7,551,571	108,000
Domestic Travel	2,074,822	318,630
Foreign Travel	8,983,896	-
Training expense	510,400	84,875
Telephone expenses	19,600	24,250
<b>Total Board expenses</b>	<b>25,398,861</b>	<b>6,345,755</b>

## 9. Depreciation and Amortization Expense

	2016-17	2015-16
	Kshs	Kshs
Depreciation Charge for the Year	58,942,591	7,710,017
	<b>58,942,591</b>	<b>7,710,017</b>

## 10. Repairs and maintenance

	2016-17	2015-16
	Kshs	Kshs
Property	6,852,623	2,774,812
Equipment	3,595,015	1,603,807
Vehicles	26,457,303	2,939,751
Computers	1,228,670	281,176
<b>Total repairs and maintenance</b>	<b>38,133,611</b>	<b>7,599,547</b>

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**11. General expenses**

The following are included in general expenses:

	<b>2016-17</b>	<b>2015-16</b>
	<b>Kshs</b>	<b>Kshs</b>
Advertising and Publicity	530,334	31,700
Audit fees- for 2015/2016	1,160,000	580,000
Hospitality and Conference facilities	4,607,896	340,449
Consumables	9,900,216	5,910,127
Utility costs	5,783,135	5,077,571
Fuel and oil	14,371,179	1,692,233
Postage	908,710	196,364
Publishing and Printing	773,474	54,595
Subscription and Newspapers	1,104,491	104,580
Rental	20,107,280	21,190,888
Contracted Services Cleaning and Security	7,818,534	4,614,240
Membership to Professional Bodies	313,900	13,000
Telecommunication	10,671,417	3,701,173
Motor vehicle insurance	142,247	-
Training	26,585,967	214,910
Drought coordination response (DCR)	21,972,530	-
<b>Total general expenses</b>	<b>126,751,311</b>	<b>43,721,829</b>
<b>Total expenses for operations</b>	<b>889,123,916</b>	<b>506,990,514</b>

**12. Donor Funded Activities**

The following are donor related expenses:

	<b>2016-17</b>	<b>2015-16</b>
	<b>Kshs</b>	<b>Kshs</b>
Community development- KRDP (Gok)	40,727,168	89,215,942
Community development- HSNP (Gok)	2,312,626,824	1,052,889,664
Community development- DCF (Gok)	64,460,695	68,179,947
Expenses on UNDP (donor-REVENUE)	9,320,494	64,221,646
Expenses on WFP	132,173,073	58,242,990
Expenses on FAO	-	2,265,050
Expenses on ARC	-	1,296,156
Expenses on ADA	1,996,810	6,028,091
Expenses on KRDP (donor-AIA)	-	270,491,230
Expenses on DCF (donor-AIA)	435,913,831	264,123,755
Community development- HSNP (donor-AIA)	1,742,691,022	4,399,950,230
Expenses on EDE DRMC - AIA	719,161,995	-
Expenses on UNDP (donor-AIA)	-	42,367,071
<b>Total donor- related expenses</b>	<b>5,459,071,912</b>	<b>6,319,271,771</b>

### 13. Taxation

The Authority draws all its funding from the Government and therefore tax exempted.

### 14. Cash and cash equivalents

The following are the cash & bank balances

	2017	2016
KCB-KICC 1136140255	27,211,281.00	60,046,292.00
NIC-1000584564	1,932,217.00	2,948,917.00
NIC- UNDP (KDRP) 1001285544	-	29,162.00
NIC- UNDP (ERP) 1001285568	-	593.00
NIC- UNDP (DRR) 1001976911	1,953,349.00	23,076.00
NIC- UNDP (AVAR) 1001285536	-	48,414.00
NIC- WFP/FFA 1001285595	54,618,925.00	37,001,689.00
NIC- HSNP 1001650137	43,958,552.00	47,115,305.00
NIC- KRDP DCF 1001783153	123,579.00	3,829,649.00
NIC-NDEF 1004546624	2,000,137,938.00	-
<b>Total cash and cash equivalents</b>	<b><u>2,129,935,841.00</u></b>	<b><u>151,043,097.00</u></b>

### 15. Receivables from non-exchange contracts

#### Current receivables

	2017	2016
Staff Debtors (imprest)	800,082.00	4,756,446.00
Medical insurance prepayments	26,275,130.00	16,918,819.00
Unutilised balances from counties	13,510,403.00	16,571,912.00
Employee Advance for pension contribution	3,920.00	47,700.00
Receivables from KRDP by NDMA	1,379,162.00	24,339,971.00
Receivables from ILRI by NDMA	-	1,391.00
Salary advances	567,156.00	767,422.00
Receivables from various by NDMA-R 103	-	80,557,352.00
Receivables from EDE DRMC	7,983,693.00	-
Receivables from UNDP-DRR	192,400.00	-
<b>Total current receivables</b>	<b><u>50,711,946.00</u></b>	<b><u>143,961,013.00</u></b>

### 16. Inventories

	2017	2016
Consumable stores	4,025,234.00	2,458,252.00
<b>Total inventories at the lower of cost and net - Realizable value</b>	<b><u>4,025,234.00</u></b>	<b><u>2,458,252.00</u></b>

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	Land and Buildings	Motor vehicles	Furniture and fittings	Computers	Plant and Eqpnt	Total
<b>17. Property, plant and equipment</b>	<b>0</b>	<b>0.25</b>	<b>0.125</b>	<b>0.3</b>	<b>0.03</b>	<b>TOTAL</b>
Cost	Shs	Shs	Shs	Shs	Shs	Shs
<b>Reported As At 30.june 2016(NBV)</b>	<b>11,176,266</b>	<b>438,532,354</b>	<b>123,293,199</b>	<b>64,149,269</b>	<b>0</b>	<b>637,151,088</b>
Revalued figures for 2016/2017	161,579,810	168,813,019	9,623,024	21,833,386	0	361,849,239
Additions	0	0	1,844,177	7,285,722	0	9,129,899
As at 30th June 2017	161,579,810	168,813,019	11,467,201	29,119,108	0	370,979,138
FO 58 Assets for disposal	0	23,878,200	461,534	1,809,874	0	26,149,608
<b>Total Assets for depreciation</b>	<b>161,579,810</b>	<b>192,691,219</b>	<b>11,928,735</b>	<b>30,928,982</b>	<b>0</b>	<b>397,128,746</b>
Charge for the year	0	48,172,805	1,491,092	9,278,695	0	58,942,591
<b>NBV At end of June 2017</b>	<b>161,579,810</b>	<b>144,518,414</b>	<b>10,437,643</b>	<b>21,650,287</b>	<b>0</b>	<b>338,186,155</b>
<b>Charge to Changes in equity</b>	<b>150,403,544.00</b>	<b>-245,841,135.00</b>	<b>-113,208,640.76</b>	<b>-40,506,009.37</b>	<b>0.00</b>	<b>-249,152,241.13</b>

**NB:** Please note that the figure described as FO 58 relate to assets that were recommended for disposal during the FY 2017/2018.

**18. Trade and other payables**

	<b>2016-17</b>	<b>2015-16</b>
	<b>KShs</b>	<b>KShs</b>
Other payables (KRDP)	1,248,322	1,248,322
Other payables (INTERBANK)	-	80,557,352
Other payables (UNICEF)	-	41,095
Other payables (UNEP)	-	515
Funds received for the NDEF	2,000,137,938	
Payroll Liabilities	24,322,605	2,096,312
Withholding tax	9,210	-
Accrued Expenses	1,616,813	1,616,813
Audit fees accrued	1,160,000	-
Trade and Other payables	3,945,000	1,413,459
Insurance compensation-GPI	2,579,344	-
Employer contribution - NITA	15,450	-
Other payables- UNDP Bills & IPSTC	2,189,099	-
Claim by Turkana & Kitui Counties	175,136	-
<b>Total trade and other payables</b>	<b>2,037,398,918</b>	<b>86,973,868</b>

## 19. FINANCIAL RISK MANAGEMENT

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

There exist a risk matrix in the Organization under which these risks and their mitigating factors are analyzed.

### Fair values

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

<b>Financial Assets</b>	<b>Carrying amount</b>	<b>Fair value</b>
<b>At 30 June 2017</b>	<b>Ksh</b>	<b>Ksh</b>
Receivables from non-exchange transactions	50,711,946.00	50,711,946.00
Cash and cash equivalents	2,129,935,841.00	2,129,935,841.00
<b>Total</b>	<b>2,180,647,787.00</b>	<b>2,180,647,787.00</b>

<b>Financial Liabilities</b>	<b>Ksh</b>	<b>Ksh</b>
<b>At 30 June 2017</b>		
Trade payables from exchange transactions	2,037,260,980.00	2,037,260,980.00
<b>Total</b>	<b>2,037,260,980.00</b>	<b>2,037,260,980.00</b>

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

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

### Credit risk

Credit risk is the risk of financial loss to the authority if customers or counterparties to financial instruments fail to meet their contractual obligations. The authority's credit risk is primarily attributable to its receivables and cash and cash equivalents. The carrying amount of financial assets represents the maximum credit exposure. The credit risk on liquid funds with financial institutions is low, because the counter parties are banks with high credit-ratings. The maximum exposure to credit risk as at 30 Jun 2016 was:

	<b>Fully performing</b>	<b>Past due</b>	<b>Impaired</b>	<b>Total</b>
	<b>Ksh</b>	<b>Ksh</b>	<b>Ksh</b>	<b>Ksh</b>
Non exchange receivables	50,711,946.00	-	-	50,711,946.00
Cash and cash equivalents	2,129,935,841.00	-	-	2,129,935,841.00
<b>Maximum exposure to credit risk</b>	<b>2,180,647,787.00</b>	<b>-</b>	<b>-</b>	<b>2,180,647,787.00</b>

### Credit quality

Credit quality is assessed risk of default attached to counterparties to which the authority extends credit and also those parties with whom the authority invests. As such, the credit quality assessed extends to the customers, investments and banks of the authority. For financial statement purposes, the investments and balances with banks are limited to the cash and cash equivalents line items in the statement of financial position neither does the Authority enter into any overdraft agreements with its bankers.

### Receivables

The authority does not extend credit to external parties. All services performed by the authority are rendered upon payment by the customers. The receivables from non-exchange transactions relate to staff advances, unutilized balances from the Counties and advances to internal donor activities. The advances were made in the financial year 2015/2016 and are therefore current.

### Cash and cash equivalents

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

### Liquidity risk

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

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

	<b>Less than 1 month</b>	<b>Between 1-3 months</b>	<b>Over 5 months</b>	<b>Total</b>
	<b>Sh</b>	<b>Sh</b>	<b>Sh</b>	<b>Sh</b>
<b>At 30 June 2017</b>				
Trade payables from exchange transactions	2,032,218,926.00	-	5,042,054.00	2,037,260,980.00
	<b>2,032,218,926.00</b>	<b>-</b>	<b>5,042,054.00</b>	<b>2,037,260,980.00</b>

### Market risk

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

### Capital risk management policies

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The primary objective of managing the authority's capital is to ensure that there is sufficient cash available to funding requirements, including capital expenditure, to ensure that the authority remains financially sound. The authority monitors capital using a gearing ratio, which is net debt, divided by total capital, plus net debt.

As at the end of the year, the authority had no debt. The capital structure of the authority consists only of a general fund. The gearing ratio of the authority is therefore 0%.

**APPENDIX I: EXPLANATIONS OF BUDGET Vs ACTUALS**

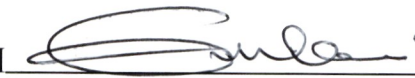
Interest received was predicted on the assumption that funds will be received from treasury and spent as planned, however we experienced some delays while finalizing on some registration issues for the last cycle of cash transfer.

Following the withdrawal of tenants from the Moyale and Mandera guest houses as well as incidences of insecurity, we expected lower turnout of guests and hence the decreased budget. This however turned not to be the outcome.

**APPENDIX II: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Qualified opinion on the basis of historically valued property, plant and equipment inherited from the Project	An asset verification exercise was carried out during the financial year with the support of Ministry of Public works experts. The report was however adopted by the Board during the Financial year 2016/2017.	Board of Directors	Exercise completed and value of assets adjusted	

  
Chairperson

  
Chief Executive Officer

Date.....30/9/2017

Date.....30-09-17