



Enhancing Accountability

REPORT

OF

THE NATIONAL ASSEMBLY
PAPERS LAID

PARLIAMENT
OF KENYA
LIBRARY

THE AUDITOR-GENERAL

DATE: 23 FEB 2021

DAY:

TUESDAY

TABLED
BY:

Lom

ON

CLERK-AT
THE TABLE:

Moses Lemwa

DROUGHT RESILIENCE AND SUSTAINABLE LIVELIHOODS PROGRAMME (ADF LOAN NO. 2100150028345)

**FOR THE YEAR ENDED
30 JUNE, 2020**

**STATE DEPARTMENT FOR CROP
DEVELOPMENT AND AGRICULTURAL
RESEARCH**





**Project Name....DROUGHT RESILIENCE AND SUSTAINABLE LIVELIHOODS
PROGRAMME**

**Implementing Entity....STATE DEPARTMENT FOR CROPS DEVELOPMENT &
AGRICULTURAL RESEARCH**

PROJECT GRANT/CREDIT NUMBER....2100150028345

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020**

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

CONTENTS

PAGE

1. PROJECT INFORMATION AND OVERALL PERFORMANCE	ii
2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES.....	xv
3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY	xxiv
REPORTING.....	xxiv
4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES	xxvi
5. REPORT OF THE INDEPENDENT AUDITORS ON THE DRSLP PROJECT	xxvii
6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2020.....	1
7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2020	2
8. STATEMENT OF CASHFLOWS FOR THE PERIOD 30TH JUNE 2020.....	3
9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS	4
10. NOTES TO THE FINANCIAL STATEMENTS.....	5
11. OTHER IMPORTANT DISCLOSURES.....	24
12. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS	28

PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: The project's official name is **Drought Resilience and Sustainable Livelihoods Programme (DRSLP)**,

Objective: The key objective of the project is **To enhance drought resilience and improve sustainable livelihoods of the communities in the arid and semi-arid lands of Kenya by June 2021,**

Address: The project headquarters offices are Located in **HILL PLAZA BUILDING, 9th Floor, Opposite Milimani Law Courts, Ngong Road, P.O. Box 30028-00100, NAIROBI, Kenya.**

The address of its registered office is: P.O. Box 30028-00100, NAIROBI, Kenya.

The project also has offices/branches as follows:

- County Headquarters, Turkana County
- County Headquarters, West Pokot County
- County Headquarters, Baringo County
- County Headquarters, Samburu County
- County Headquarters, Isiolo County
- County Headquarters, Marsabit County

Contacts: The following are the project contacts

Telephone: (254) 722 827 425/ 0722 886 584

E-mail npchoal@gmail.com

Website: www.kilimo.go.ke

1.2 Project Information

Project Start Date:	The project start date is 1st July 2013
Project End Date:	The project end date is 30th June 2022
Project Manager:	The project manager is Eng. Kennedy Wanderah Makudih
Project Sponsor:	The project sponsor is the Government of Kenya (GoK) and The African Development Bank (AfDB)

1.3 Project Overview

Line Ministry/State Department of the project	The Project is being implemented and Supervised by the State Department for Crops Development in the Ministry of Agriculture, Livestock, Fisheries and Cooperatives.
Project number	2100150028345
Strategic goals of the project	The strategic goals of the project are as follows: (i) Resilience Building for Agro Pastoral and Pastoral Communities of Northern ASAL Kenya (ii) Poverty reduction (iii) Enhance food security (iv) Accelerated economic growth
Achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Investment and provision of large multipurpose water infrastructure (Dams, Water pans, Boreholes, Shallow wells, Earth dams). (ii) Investment in Irrigation Schemes and Micro Irrigation schemes (iii) Improved Crop Production in the Irrigation schemes and the other water structures provided (iv) Improved Crop Marketing and Management (v) Improve livestock production through improved Pasture Production and Feeding (vi) Improved Livestock Health and Management (vii) Improved Livestock Marketing and Management
Other important background information of the project	The Project aims at improving communities' resilience to drought and hence improve their livelihoods in a sustainable way.
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: (i) Water availability for both domestic and livestock use (ii) Livestock productivity through pasture and water development (iii) Food security Improvement (iv) Improvement of livestock infrastructure and Management (v) Natural Resources Management
Project duration	The project started on 1st July 2013 and is expected to run until 30 June 2022

Drought Resilience and Sustainable Livelihood Programme (DRSLP)
Reports and Financial Statements
For the financial year ended June 30, 2020

Output 17: No of personnel of which at least 30% are women trained and developed in areas of livestock production, animal health	936	200	1300	47% (-94 personnel trained out of the 200 achieved was by the trainings conducted by the counties in the 3 rd quarter).	72% Total 936 (549M;387F)	On track
Output 18: : No of personnel of which at least 30% are women trained in peace building and conflict resolution	438	60	481	46.67% (28 personnel out of 60 trained on peace building and conflict resolution by the county teams.)	91.1% 438(281M, 157F)	On track
Output 19: No of new technologies introduced to communities and adoption rates measured and enhanced	4	2	4	100% (2 Multi-storey gardens in West Pokot by county staff; improved grass pasture in Marsabit by KALRO Kiboko),	100% (4 out of 4) 1 – moist beds in Baringo, Solar drying for vegetables in Baringo-cumulative= 4	On track
Output 20: Project website developed by June 2021	1	1	1	100%. (1 website for the project developed and is currently being updated. Already in use	100%	On track
Output 21: Project M&E System developed by June 2021	Nil	N/A	1	To adopt the regional di Monitoring system developed through IGAD secretariat	-	On track

Enumerate all the objectives of the project as per the program plan

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key development objectives of the *project's 2018-2022* plan are to:

- (i) Investment and provision of large multipurpose water infrastructure (Dams, Water pans, Boreholes, Shallow wells, Earth dams).
- (ii) Investment in Irrigation Schemes and Micro Irrigation schemes
- (iii) Improved Crop Production in the Irrigation schemes and the other water structures provided
- (iv) Improved Crop Marketing and Management
- (v) Improve livestock production through improved Pasture Production and Feeding
- (vi) Improved Livestock Health and Management
- (vii) Improved Livestock Marketing and Management

Drought Resilience and Sustainable Livelihood Programme (DRSLP)
Reports and Financial Statements
For the financial year ended June 30, 2020

Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
Drought Resilience and Sustainable Livelihoods Programme (DRSLP)	To increase water availability and accessibility in the ASAL areas	Increased water availability and accessibility in the ASAL areas	Number of water structures constructed by June 2022	At the end of 2019/2020 Fy, 20 out of 28 structures completed- 71.42%
	To Improve Food and Nutrition Security	Enhanced Food and Nutrition Security	Area of 1050 Ha under Irrigation schemes rehabilitated and expanded (Ha) by June 2022	440 Ha achieved as at end of 2019/2020 FY representing 41.9%
	To increase forage quality and availability in the ASAL areas	Increased Forage quality and availability in the ASAL areas	Quantity of Hectarege under commercial (720 Ha)pasture feed and No. of Hay stores constructed (No.22)	569 Ha – (79%) of commercial pasture plots established as at end of 20 th June 2020 and 15 hay sheds (68%)constructed out of the 22 targeted as at the end of the Project.-

Customize as per the project objectives.

Bankers

The following are the bankers for the current year:

- (i) **Central Bank of Kenya (C.B.K) A/C No. 1000387564**

1.5 Auditors

The project is audited by the **Office of the Auditor General (OAG)**.

1.6 Roles and Responsibilities

List the different people who will be working on the project. This list would include the project manager and all the key stakeholders who will be involved with the project. Also, record their role, their positions, and their contact information.

Names	Title designation	Key qualification	Responsibilities
Eng. Kennedy Makudiuh	SSE	Msc. Agricultural Engineering	Project Co-ordinator
Eng. George K. Kahuro	SSE	Msc. Agricultural Engineering	Deputy Project Co-ordinator/Component Manager
Gerald K.Kurema	P.A	C.P.A (K) B.Com	Project Accountant
Hillary Ngeno	PAO	Bsc. Agribusiness	M&E/Agribusiness Specialist
Elizabeth Mwanzia	Procurement Assistant	Diploma in Supply Chain Management	Project Procurement Specialist
Jonah Kebeney	Agriculture Engineer	Bsc. Agricultural Engineering	Project Engineer
Josephat Omari	Agriculture Engineer	Bsc. Agricultural Engineering	Project Engineer
William Ndeka	PAO	Bsc. Horticulture	Horticulture Specialist
Elizabeth Yegon	PAO	Msc. Gender & Agriculture	Gender Specialist
Samuel Okati	PLPO	Msc. Agri. Resource Mgt	Livestock Specialist
Adan Dahiye Maalim	PAO	Bsc. Agriculture	Environment Specialist
Benard Wanjohi	PAO	Msc. Agriculture Information & Communication Management	ICT Specialist

Drought Resilience and Sustainable Livelihood Programme (DRSLP)
Reports and Financial Statements
For the financial year ended June 30, 2020

1.7 Funding summary

The Project is for duration of six (5) years from 2013 to 2018 with an approved budget of Unit of Account (UA) 41.799 million equivalent to KShs 5,481.019 million. The project got a 3-year extension up to June 2022.

Below is the funding summary:

Source of funds	Donor Commitment-		Amount received to date – (30th June 2020)		Undrawn balance to date (30th June 2020)	
	Donor curren cy	KShs	Donor currency	KShs	Donor currency	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
	Millio n UA	000' Ksh	Million UA	000' Ksh	Million UA	000' Ksh
(i) Loan						
African Development Bank	37.410	4,905.49848	22.701	2,976,783.491	14.709	1,928,761.752
(ii) Counterpart funds						
Government of Kenya	4.389	575.520792	1.2006	157,438.798	3.1884	418,088.51
Total	41.799	5,481.019272	23.9016	3,134,222.289	17.8974	2,346,850.26

1.8 Summary of Overall Project Performance:

- Budget performance against actual amounts for current year and for cumulative to-date,

BUDGET ITEM /CATEGORY	PRINTED ESTIMATES	REVISED ESTIMATES	ACTUAL EXPENDITURE	% ABSORPTION
GOK	60,034,000.00	60,034,000.00	45,304,210.00	75.46%
LOAN REVENUE	160,570,900.00	120,570,900.00	120,387,990.00	99.85%
LOAN AIA	892,476,016.00	900,476,016.00	812,853,404.00	90.27%
TOTAL	1,113,080,916.00	1,081,080,916.00	978,545,604.00	90.52%

- Physical progress based on outputs, outcomes and impacts since project commencement,

OUTPUT REPORTING

Output Indicators (as specified in the RLF, add/delete rows as needed)	Most recent value	Annual Target (expected value at project completion)	End Target (expected cumulative value at completion)	Progress towards annual target (%) realized)	Progress towards end target (% realized)	Assessment (on whether output indicator is on track to reach annual and end targets. If not on track, please justify)
Component 1 : Natural Resources Management						
Subcomponent 1: Water Supply development and Management						
Output 1: Number of water pans constructed/rehabilitated by June 2021	20	5	28	100%-(5 achieved out of 5).	71.42% (20 completed out of 28 achieved)	On track
Output 2: No of boreholes constructed/rehabilitated by June 2021	27	27	100	33.33% (9 completed out of the 27	27% (27 completed out of 100)	To be fast-tracked
Output 3: No of shallow wells constructed/rehabilitated by June 2021	4	4	12	100% (4 completed out of 4)	33.33% (4 completed out of 12)	To be fast-tracked
Output 4: No of sub-surface dams constructed/ rehabilitated by June 2021	5	1	5	100% (1 out of a target of 1)	100% (5 completed out of 5)	On track
Output 5: No of Water Users Association formed/strengthened by June 2021	96	20	140	90% (18 achieved out of the 20)	68.57% (96 achieved out of the 140)	To be fast-tracked
Output 6: No of Water Users Association (WUAs) trained by June 2021	96	20	140	90% (18 achieved out of the 20)	68.57% (96 achieved out of the 140)	To be fast-tracked
Subcomponent 2: Irrigation infrastructure development						
Output 7: Area of the 7 irrigation schemes rehabilitated and expanded (Ha) by June 2021	440Ha	180 ha	1050Ha	100% (180 Ha achieved-Simailele scheme)	41.9% (440 Ha achieved out of the 1050 Ha) - Kalacha-80Ha, Kiboi-180Ha and Simailele-180Ha completed. The rest on-going	To be fast-tracked

Drought Resilience and Sustainable Livelihood Programme (DRSLP)
Reports and Financial Statements
For the financial year ended June 30, 2020

Output 8: No of Irrigation water Users Association (IWUAs) Office blocks and Grading sheds constructed by June 2021	5	2	7	50%(1 office block achieved- for Simailele. Konoo to be re-advertised)	71.42%	To be fast-tracked
Output 9: No of IWUAs formed/strengthened by June 2021	7	7	9	100% (7 - committees formed in all irrigation schemes, Training continuous)	77.77%	To be fast-tracked
Output 10: No of Feasibility and assessment reports produced by June 2021	7	0	9	-not targeted	77.77%-7 reports produced, 2 more for garfasa & Kinene in Baringo	To be fast-tracked .
Component 2: Improvement of Livestock Infrastructure and Management						
Sub-component 1: Infrastructure for market access						
Output 11 : No of livestock markets constructed by June 2021	20	0	27	- (no target for the year)	74%(20 completed in 5 counties, 7 additional sale yards to be advertised)	To be fast tracked
Output 12: Length of access road constructed or rehabilitated (Km) by June 2021	25	10km	120km	100% (10 Km achieved by other stakeholders on top of the 15 km achieved by the same partners before.) 100Km advertised in the qrt.	20.8%	To be fast tracked as 100Km already advertised and to be achieved in the 2020/2021FY
Sub-component 2: Improved rangeland management						
Output 13: No of hay sheds/fodder banks constructed by 20% in June 2021	14	4	22	33.33% (1 completed out of 4 targeted).	68.18% (15 hay sheds completed; 3 contracts running. (Katilu, Simailele and Konoo-Turkana), 4 advertised in the quarter	To be fast-tracked
Output 14: Area of the 12 demonstration plots of communal pastures rehabilitated (600Ha) by June 2021	569Ha	125ha	720ha	40% (50 Ha achieved of the 125 ha targeted) 100 Ha advertised in the quarter	79% (569 Ha of the total 720 Ha achieved)	To be fast-tracked.

Drought Resilience and Sustainable Livelihood Programme (DRSLP)

Reports and Financial Statements

For the financial year ended June 30, 2020

Sub-component 3: Improved livestock health						
Output 15: No of holding grounds and quarantine stations rehabilitated by June 2021	Nil	1	1	-(1 Marsabit county (Segel) at 85% construction works)	85% (works at 85% out of 100%)	Needs to be fast-tracked.
Output 16: No of diagnostic veterinary laboratories equipped by June 2021	6	0	6 county labs	-(All 6 county labs equipped (Baringo, West Pokot, Samburu, Isiolo, Marsabit and Turkana) Re-equipping of Turkana Lab to be done in the 1 st Qrt of 20/21FY	100%	End target
Component 3 : Project Management and Capacity Building						
Sub-component 1: National Project Management and Capacity Building						
Output 17: No of personnel of which at least 30% are women trained and developed in areas of livestock production, animal health	936	200	1300	47% (-94 personnel trained out of the 200 achieved was by the trainings conducted by the counties in the 3 rd quarter).	72% Total 936 (549M;387F)	On track
Output 18: : No of personnel of which at least 30% are women trained in peace building and conflict resolution	438	60	481	46.67% (28 personnel out of 60 trained on peace building and conflict resolution by the county teams.)	91.1% 438(281M, 157F)	On track
Output 19: No of new technologies introduced to communities and adoption rates measured and enhanced	4	2	4	100% (2 Multi-storey gardens in West Pokot by county staff; improved grass pasture in Marsabit by KALRO Kiboko),	100% (4 out of 4) 1 – moist beds in Baringo, Solar drying for vegetables in Baringo-cumulative= 4	On track
Output 20: Project website developed by June 2021	1	1	1	100%. (1 website for the project developed and is currently being updated. Already in use	100%	On track
Output 21: Project M&E System developed by June 2021	Nil	N/A	1	To adopt the regional di Monitoring system developed through IGAD secretariat	-	On track
Output 22: ESMP developed	136	20 water	147	60% (12 achieved)	92.5% [Total 136 EIAs done: (80 water structures; 9 irrigation schemes; 20 sale yards; 14 hay	To be fast-tracked

Drought Resilience and Sustainable Livelihood Programme (DRSLP)
Reports and Financial Statements
For the financial year ended June 30, 2020

					sheds; 12 pasture sites; 1 dam	
Sub-component 2: Support to IGAD Secretariat-Enhanced regional cooperation and coordination on trans-boundary water resources						
Output 23: No of harmonized and effective trans boundary water bodies policies and strategies being implemented	Nil	N/A	N/A			-

Outcome Indicators (as specified in the RLF add/delete rows as needed)	Baseline Value	Most recent value	End Target (expected value at project completion)	Progress towards end target (%) realized)	Assessment (on whether outcome indicator is on track to reach annual and end targets. . If not on track, please justify)
Outcome 1: Increased water availability and accessibility in the ASALs	Average distance to nearest livestock watering points is 1.5 Km	Less than 20% of the people and less than 30% of livestock access water easily	Between 30% and 40% access water easily by June 2021	60% (20 water pans/earth dams completed, 27 boreholes completed, 18 contracts for borehole running, 52 new boreholes advertised. 3 shallow well completed, 9 running. 5 sub-surface dams completed)	Needs to be fast-tracked as it is below target.
Outcome 2: Increased forage quality and availability in the ASALs.	-	Current carrying capacity is about 2 ha/LU	Increase the carrying capacity to 1ha/LU by June 2021	72% (10 commercial pasture plots (569Ha) reseeded and 15 hay sheds constructed; 4 new Hay sheds advertised in west pokot & Turkana; Hay 3 commercial pasture demos contracts (Simailele, Konoo & Katilu- Turkana) covering 60ha of	To be fast-tracked.

				pasture and 3 hay shed contracts running (Simailele, Konoo & Katilu), 2 pasture plots – 100 Ha advertised in west pokot during the quarter)	
Outcome 3: Developed rural feeder roads to improve market access input delivery and access to animal health services in the ASALs	• 38.2% access all weather roads • 43.7% access vet. services	• Currently about 10% have good roads • About 10% effectively connected • Just about 10% access vet. services*	• 30% improvement in access road by June 2021 • 30% effective connectivity by June 2021 • 20% access animal health services by June 2021	• 20.8% access roads had been done (25 Km out of 120km access roads to be achieved) to Kiboi • 100Km of roads in all the counties advertised in the 4th Qrt. • All vet labs equipped (100%)	Needs to be fast-tracked
Outcome4: A sustained well-developed human and institutional capacity in the ASALs.		3,246	Personnel and human resource to handle animal management increased by 30%	Cumulative to date: 3,246 (1,867M; 1,379F) trained in various aspects	On track

IMPACT REPORTING

Impact of DRSLP Interventions on Water & Irrigation infrastructure development:

- Increased Household Food security and incomes especially in Kiboi and Kaminia schemes. Kaminia farmers have taken own initiatives to produce under irrigation after benefiting from various trainings supported by the project. Farmers mainly producing onions, tomatoes and green maize for commercial purposes.
- Increased water availability and accessibility in the ASALs- reduced distances from an average of 10-15km to 1.5- 2.0 Km.
- 25Km of rural feeder roads improved and opened to improve and support market accessibility by the farmers through the project contracts. (Kaminia- 16Km and Kiboi –9 Kms)
- Increased school enrolment and retention of the girl child in schools- 650 girls in West Pokot County (St. Elizabeth Morpus girls secondary school and Chepropogh Primary School).

Outcome/Impact from livestock infrastructure development interventions:

- Increased forage quality and availability in the ASALs. The pasture plots has increased pastures and forage availability in the ASAL areas in general.
 - 569 Hectares put under commercial pastures by the communities in the 6 Counties have produced over 15,000 bales and over 1200 Kgs of harvested seed.
 - The groups have made over Kshs 2,600,000.00 and over 2000 cattle have been saved from the drought. Some farmers are also learning from the commercial pasture plots and are also setting up individual commercial pasture plots to supplement what the project has done because there is a huge demand for the pastures during the dry periods in the ASAL Counties. A good example is Samburu County where 4 Agri-preneurs are setting up 6,500 Hectares commercial pasture sites to supply pastures as hay and seeds to farmers for profit.
- Reduced Livestock deaths and losses during the dry seasons
- Sale price increased from an average of ksh 3000 to kshs 6500 for shoats and ksh 20,000 to ksh 35,000 for cattle due to organized marketing in the project areas.
- Livestock Markets have improved Livestock offtakes and Improved revenue collection by the counties and the committees.
- Reduced inter-communal conflict because of the concept of sharing of resources and mutual benefits to communities from an average of the 5 rustling cases to 1 along the Kerio valley belt bordering Turkana, West Pokot and Baringo counties.
- Increased participation by women in household decision making and participation in productive activities- 6780 women are in productive activities.
- Improved Livestock weights due to improved forage availability and quality.
- Increased developments in and around the livestock market centres owing to regular trade and availability of customers
- Various Businesses coming up within the market centres e.g Vet stockist, sale of food stuffs, eateries and hotels, bars, Grocery shops, shops selling school uniforms and various shoes, increased sales of mobile phone accessories etc. An average of 12 different business shops opened during market days within the vicinity of the market centres.

Light Resilience and Sustainable Livelihood Programme (DRSLP)

Key Reports and Financial Statements

For the financial year ended June 30, 2020

- Increased goat milk availability at the household level attributed to the improved forage conditions.
- Improved Household food and nutrition security of over 28,000 Households in the project areas.
- Reduced cost of drugs as a results of the County Vet labs as well as easier disease surveillance and intervention.

Comment on value-for-money achievements,

For all the projects undertaken and completed by the Project so far, there has been value for the Money used.

Indicate the absorption rate for each year since the commencement of the project.

Est. Project Cost (Financing)			Time Line		FY 2017/18				FY 2018/19				FY 2019/20			
Total Est. Cost of project(a)	Foreign Financed	GoK	Start Date	Expected completion date	Approved Foreign Budget	Approved GOK Budget	Actual Cumulative cost 30th June 2018	Completion stage as at 30th June 2018 (%)	Approved Foreign Budget	Approved GOK Budget	Actual Cumulative cost 30th June 19	Completion stage as at 30th June 19	Approved Foreign Budget	Approved GOK Budget	Actual Cumulative cost 30th June 2020	Completion stage as at 30th June 2020(%)
5,418	4,905	576	7/1/2013	06/30/2022	452.148	8.863	1,464	46%	804	27.6	2,164	58%	1053	60	3,153	70% complete for structures but 61% absorption

Drought Resilience and Sustainable Livelihood Programme (DRSLP)
Reports and Financial Statements
For the financial year ended June 30, 2020

List the implementation challenges and recommended way forward.

Key Issue/Risk (add/delete rows as needed)	Corrective action/Mitigation measure	Responsibility	Deadline	Status (Pending initiation, in progress, finalized ¹)	Comments
Feasibility studies, survey and designs of structures take long to conclude	Use of internal government specialist personnel rather than go for consultancies	PCU	On-going	In progress	The studies are currently taking less than two weeks to complete for a cluster of small structures unlike before hence time and money saved
Dishonest, slow and problematic contractors for works	Carrying out due diligence thoroughly before award of contracts. Blacklisting of problematic contractors. Contract termination	PCU	On-going	In progress	Some contractors have been given termination notices. As for new contracts, before awarding due diligence will be carried out.
Slow disbursement Progress of project funds	Project Managers called to draw action plans to improve disbursements for the projects they manage. PCU to collectively engage in project follow ups and management to support PMs	PCU	On-going	Finalized	The Project managers have drawn action plans to improve disbursement. Results indicate improved generation of interim payment certificates and improved payments
Wide geographical spread of project activities across the counties (151 structures), including poor roads and mobile telephone network.	The PCU has grouped the counties in two lots for ease of management, especially for packaging procurement activities. Enhancing the counties' capacity to follow up and work with the community management committees at the county level.	PCU	On going	In progress	Modalities of delegating to the counties the development and management of the infrastructure facilities within their counties (PCU does supervisory role)
Slow pace of ownership by County Executives thus affecting implementation	Seeking county buy-in now that most County executives have been replaced/appointed	County Governments	On-going	Finalized	Continuous sensitization of the new county executives on their roles so as to support

¹ Any finalized action need to be excluded in the subsequent report

Key Issue/Risk (add/delete rows as needed)	Corrective action/Mitigation measure	Responsibility	Deadline	Status (Pending initiation, in progress, finalized ¹)	Comments
					sustainability of the structures constructed.
Low budgetary revenue funds allocation for operations; itemized budgets limits project expenditures	Treasury and Ministry to consider up scaling; reconsider Program Based Budgets (PBB) for projects	National Treasury/Ministry	On-going	In progress	Lobbying for increase of budgetary provision.
Slow access to revenue and Counterpart funds due to IFMIS downtime	Improve efficiency of the system	National Treasury/Ministry	On-going	In progress	The Treasury has opened separate account for the GOK counterpart funds but it will start to be used in the next FY 2020/2021.

1.9 Summary of Project Compliance:

- Include significant cases of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants,
- Include consequences suffered on account of non-compliance or likely to be suffered
- Indicate mitigation measures taken or planned to be taken to alleviate the adverse effects of actual or potential consequences of non-compliance

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

Project Goal/Purpose

- To contribute to Poverty Reduction, Food Security and accelerated sustainable economic growth in the Horn of Africa (HoA) through enhanced rural incomes

Project Objective

- To enhance drought resilience and improve sustainable livelihoods of the communities in the arid and semi-arid lands of Kenya by June 2021

Project Outcomes:

- Increased water availability and accessibility in the ASALs.
- Increased forage quality and availability in the ASALs.
- Developed rural feeder roads to improve market access input delivery and access to animal health services in the ASALs
- A sustained well-developed human and institutional capacity in the ASALs.

Indicators that will be used to measure performance of the projects against the relevant outcomes:

- Increased number of people and livestock accessing water.
- Improved quality and availability of pasture
- Developed and improved rural feeder roads
- Improved communication connectivity
- Improved animal health services
- Percentage of personnel capable of handling pastoral livestock production systems trained in each country increased
- Percentage of community members' that improved their capacities.

PROJECT OUTPUTS AND KEY DELIVERABLES

COMPONENT I: NATURAL RESOURCES MANAGEMENT:

Cost – KES 3,375,496,976; to provide support to communities to improve management of the water and irrigation infrastructure

Sub Component I - Water supply development and Management

- ♦ 28 water pans constructed/rehabilitated by June 2022
- ♦ 100 boreholes constructed/rehabilitated by June 2022
- ♦ 12 shallow wells constructed/ rehabilitated by June 2022
- ♦ 5 sub-surface dams constructed/ rehabilitated by June 2022
- ♦ 140 Water Users Association formed/strengthened by June 2022

Indicators to Track Progress: Number of Water structures developed, Distance to water source reduced (Km)

Sub Component II - Irrigation infrastructure development

- ♦ 9 irrigation schemes with total area of 1350 ha rehabilitated and expanded by June 2022
- ♦ 9 IWUAs formed/strengthened by June 2022

Indicators to Track Progress: Number of Irrigation Schemes rehabilitated (existing), Number of Irrigation Schemes developed (new)

COMPONENT 2: LIVESTOCK INFRASTRUCTURE DEVELOPMENT:

Cost – KES 1,673,586,664; to support community in participation in management of pasture and livestock marketing

Sub Component I: Infrastructure for market access

- ♦ 28 livestock markets upgraded and equipped with disease surveillance facilities by 2022
- ♦ 100 km of road access constructed or rehabilitated by 2022

Indicators to Track Progress: Number of improved livestock market infrastructure, Kilometers of access rural roads improved/developed (Km),

Sub Component II: Improved rangeland management

- ♦ 22 fodder banks constructed by 2022
- ♦ 15 demonstration plots of communal pastures totalling 720 ha rehabilitated by 2022

Indicators to Track Progress: Hectares of rangeland reseeded, Number of bales of hay feed produced and stored, Kilograms of pasture seed produced

Sub Component III: Improved livestock health

- ♦ 6 county Vet labs equipped by 2022
- ♦ 1 quarantine stations & holding ground and rehabilitated by 2022
- ♦ The number of livestock sold increases by 20% due to improved infrastructure
- ♦ Reduce livestock mortality rate from 40% to 30%
- ♦ Household income increases by 30%

Indicators to Track Progress: Number of veterinary labs equipped, Volume of county livestock traded

COMPONENT 3: PROJECT MANAGEMENT AND CAPACITY BUILDING:

Cost – KES 431,935,632; to provide human and institutional capacity building to strengthen capabilities in the region within communities and contribute to peace building and mitigation and adaptation to climate change

Subcomponent I: National Project Management and Capacity Building

- ♦ About 1000 personnel of which at least 30% are women trained and developed in areas of livestock production, animal health
- ♦ Well-developed veterinary laboratories and water management systems
- ♦ Personnel and community of which at least 30% are women trained in peace building and conflict resolution
- ♦ New technologies introduced to community's adoption rates measured and enhanced

Indicators to Track Progress: Number of workshops and seminars held on Peace building and conflict resolution, Number of personnel trained in Peace building and conflict resolution (gender disaggregated), Number of community members trained in Peace building and conflict resolution (gender disaggregated).

Sub Component II: Support to IGAD Secretariat-Enhanced regional cooperation and coordination on trans-boundary water resources

- ♦ ESMP monitoring institutionalized at national and community level.

Output Indicators (as specified in the RLF, add/delete rows as needed)	Most recent value	Annual Target (expected value at project completion)	End Target (expected cumulative value at completion)	Progress towards annual target (%) realized)	Progress towards end target (% realized)	Assessment (on whether output indicator is on track to reach annual and end targets. If not on track, please justify)
Component 1 : Natural Resources Management						
Subcomponent 1: Water Supply development and Management						
Output 1: Number of water pans constructed/rehabilitated by June 2021	20	5	28	100%-(5 achieved out of 5).	71.42% (20 completed out of 28 achieved)	On track
Output 2: No of boreholes constructed/rehabilitated by June 2021	27	27	100	33.33% (9 completed out of the 27	27% (27 completed out of 100)	To be fast-tracked

Drought Resilience and Sustainable Livelihood Programme (DRSLP)
Reports and Financial Statements
For the financial year ended June 30, 2020

Output 3: No of shallow wells constructed/ rehabilitated by June 2021	4	4	12	100% (4 completed out of 4)	33.33% (4 completed out of 12)	To be fast-tracked
Output 4: No of sub-surface dams constructed/ rehabilitated by June 2021	5	1	5	100% (1 out of a target of 1)	100% (5 completed out of 5)	On track
Output 5: No of Water Users Association formed/strengthened by June 2021	96	20	140	90% (18 achieved out of the 20)	68.57% (96 achieved out of the 140)	To be fast-tracked
Output 6: No of Water Users Association (WUAs) trained by June 2021	96	20	140	90% (18 achieved out of the 20)	68.57% (96 achieved out of the 140)	To be fast-tracked
Subcomponent 2: Irrigation infrastructure development						
Output 7: Area of the 7 irrigation schemes rehabilitated and expanded (Ha) by June 2021	440Ha	180 ha	1050Ha	100% (180 Ha achieved- Simailele scheme)	41.9% (440 Ha achieved out of the 1050 Ha) - Kalacha-80Ha, Kiboi-180Ha and Simailele-180Ha completed. The rest on-going	To be fast-tracked
Output 8: No of Irrigation water Users Association (IWUAs) Office blocks and Grading sheds constructed by June 2021	5	2	7	50%(1 office block achieved- for Simailele. Konoo to be re-advertised)	71.42%	To be fast-tracked
Output 9: No of IWUAs formed/strengthened by June 2021	7	7	9	100% (7 - committees formed in all irrigation schemes, Training continuous)	77.77%	To be fast-tracked
Output 10: No of Feasibility and assessment reports produced by June 2021	7	0	9	-not targeted	77.77%-7 reports produced, 2 more for garfasa & Kinene in Baringo	To be fast-tracked .
Component 2: Improvement of Livestock Infrastructure and Management						
Sub-component 1: Infrastructure for market access						

Drought Resilience and Sustainable Livelihood Programme (DRSLP)
Reports and Financial Statements
For the financial year ended June 30, 2020

Output 11 : No of livestock markets constructed by June 2021	20	0	27	- (no target for the year)	74%(20 completed in 5 counties, 7 additional sale yards to be advertised)	To be fast tracked
Output 12: Length of access road constructed or rehabilitated (Km) by June 2021	25	10km	120km	100% (10 Km achieved by other stakeholders on top of the 15 km achieved by the same partners before.) 100Km advertised in the qrt.	20.8%	To be fast tracked as 100Km already advertised and to be achieved in the 2020/2021FY
Sub-component 2: Improved rangeland management						
Output 13: No of hay sheds/fodder banks constructed by 20% in June 2021	14	4	22	33.33% (1 completed out of 4 targeted).	68.18% (15 hay sheds completed; 3 contracts running. (Katilu, Simailele and Konoo-Turkana), 4 advertised in the quarter	To be fast-tracked
Output 14: Area of the 12 demonstration plots of communal pastures rehabilitated (600Ha) by June 2021	569Ha	125ha	720ha	40% (50 Ha achieved of the 125 ha targeted) 100 Ha advertised in the quarter	79% (569 Ha of the total 720 Ha achieved)	To be fast-tracked.
Sub-component 3: Improved livestock health						
Output 15: No of holding grounds and quarantine stations rehabilitated by June 2021	Nil	1	1	-(1 Marsabit county (Segel) at 85% construction works)	85% (works at 85% out of 100%)	Needs to be fast-tracked.
Output 16: No of diagnostic veterinary laboratories equipped by June 2021	6	0	6 county labs	-(All 6 county labs equipped (Baringo, West Pokot, Samburu, Isiolo, Marsabit and Turkana)Re-equipping of Turkana Lab to be done in the 1 st Qrt of 20/21FY	100%	End target
Component 3 : Project Management and Capacity Building						
Sub-component 1: National Project Management and Capacity Building						

Drought Resilience and Sustainable Livelihood Programme (DRSLP)

Reports and Financial Statements

For the financial year ended June 30, 2020

Output 17: No of personnel of which at least 30% are women trained and developed in areas of livestock production, animal health	936	200	1300	47% (-94 personnel trained out of the 200 achieved was by the trainings conducted by the counties in the 3 rd quarter).	72% Total 936 (549M;387F)	On track
Output 18: : No of personnel of which at least 30% are women trained in peace building and conflict resolution	438	60	481	46.67% (28 personnel out of 60 trained on peace building and conflict resolution by the county teams.)	91.1% 438(281M, 157F)	On track
Output 19: No of new technologies introduced to communities and adoption rates measured and enhanced	4	2	4	100% (2 Multi-storey gardens in West Pokot by county staff; improved grass pasture in Marsabit by KALRO Kiboko),	100% (4 out of 4) 1 – moist beds in Baringo, Solar drying for vegetables in Baringo-cumulative= 4	On track
Output 20: Project website developed by June 2021	1	1	1	100%. (1 website for the project developed and is currently being updated. Already in use	100%	On track
Output 21: Project M&E System developed by June 2021	Nil	N/A	1	To adopt the regional di Monitoring system developed through IGAD secretariat	-	On track
Output 22: ESMP developed	136	20 water	147	60% (12 achieved)	92.5% [Total 136 EIAs done: (80 water structures; 9 irrigation schemes; 20 sale yards; 14 hay sheds; 12 pasture sites; 1 dam	To be fast-tracked
Sub-component 2: Support to IGAD Secretariat-Enhanced regional cooperation and coordination on trans-boundary water resources						
Output 23: No of harmonized and effective trans boundary water bodies policies and strategies being implemented	Nil	N/A	N/A			-
Component 2: Improvement of Livestock Infrastructure and Management						
Sub-component 1: Infrastructure for market access						

Drought Resilience and Sustainable Livelihood Programme (DRSLP)
Reports and Financial Statements
For the financial year ended June 30, 2020

Output 11 : No of livestock markets constructed by June 2021	20	0	27	- (no target for the year)	74%(20 completed in 5 counties, 7 additional sale yards to be advertised)	To be fast tracked
Output 12: Length of access road constructed or rehabilitated (Km) by June 2021	25	10km	120km	100% (10 Km achieved by other stakeholders on top of the 15 km achieved by the same partners before.) 100Km advertised in the qrt.	20.8%	To be fast tracked as 100Km already advertised and to be achieved in the 2020/2021FY
Sub-component 2: Improved rangeland management						
Output 13: No of hay sheds/fodder banks constructed by 20% in June 2021	14	4	22	33.33% (1 completed out of 4 targeted).	68.18% (15 hay sheds completed; 3 contracts running. (Katilu, Simailele and Konoo-Turkana), 4 advertised in the quarter	To be fast-tracked
Output 14: Area of the 12 demonstration plots of communal pastures rehabilitated (600Ha) by June 2021	569Ha	125ha	720ha	40% (50 Ha achieved of the 125 ha targeted) 100 Ha advertised in the quarter	79% (569 Ha of the total 720 Ha achieved)	To be fast-tracked.
Sub-component 3: Improved livestock health						
Output 15: No of holding grounds and quarantine stations rehabilitated by June 2021	Nil	1	1	-(1 Marsabit county (Segel) at 85% construction works)	85% (works at 85% out of 100%)	Needs to be fast-tracked.
Output 16: No of diagnostic veterinary laboratories equipped by June 2021	6	0	6 county labs	-(All 6 county labs equipped (Baringo, West Pokot, Samburu, Isiolo, Marsabit and Turkana) Re-equipping of Turkana Lab to be done in the 1 st Qrt of 20/21FY	100%	End target
Component 3 : Project Management and Capacity Building						
Sub-component 1: National Project Management and Capacity Building						

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

1. Sustainability strategy and profile -

The sustainability of the project has been due to a combination of a number of factors, most importantly the participatory approach. The participatory demand-driven approach adopted in the design of the project as well as factored in the implementation has promoted a sense of ownership among the beneficiaries. Through the Strengthening of pastoral/farmers organisations, pastoralist/farmers have gained management skills and enhanced bargaining power. The project has focused on capacity building, including training the beneficiaries on efficient use and management of scarce water and feed resources. Suitable service providers, with experience in capacity building and training for transformation have been identified and contracted to institute the process of participation and empowerment among stakeholders during implementation. The institutionalisation of a beneficiary contribution of efforts, the use of best service providers and reputable collaborators have minimised failure and sustained flow of outputs. A key issue to the project's sustainability has been the flow of additional resources and incomes to the resource poor communities of the fragile ASALs. The application of best practices from previous Bank-funded projects and provision of wide range of options add value to sustainability of flow of resources. The project has been designed in such a way that the commitments of the beneficiaries are obtained from the outset, thus fostering a sense of ownership. The fact that pastoralists/farmers have assumed ownership and responsibility of the infrastructure after construction, and thus bear the responsibility for Operations & Maintenance, will further sustain flow of project benefits.

2. Environmental performance

The Project is classified as Category 2, as the site specific environmental and/or social impacts can be minimized by the application of mitigation measures.

Positive environmental impacts resulting from the improvement of the water supply, improvement of the performance of the irrigation and marketing infrastructures as well as enhanced methods of horticultural productivity include: (i) improvement of the overall food security and livelihoods of the farmers, pastoralists and the people living in the six counties; (ii) creation of employment; (iii) improved animal condition and better resistance and reduction of mortality to drought conditions as a result of improved water supply, pasture rehabilitation, assured supply of animal feed, improved animal handling and health facilities; (iv) promotion of improved agricultural methods and efficient utilization of farm inputs on the irrigation schemes and natural resources. From an environmental standpoint, the improvement of the irrigation scheme will reduce water losses, hence increasing water equity.

On the negative side, there are occupational health and safety risks associated with the construction works and temporary disturbance during the construction phase. The negative environmental impacts resulting from the construction works are expected to be minimal and site specific. Environmental impacts expected during the construction and operational phases and mitigation measures will be included in the TORs for the design of the specific works. In particular regular training courses will be provided on water management for both water supply and irrigation schemes so that there is no over-irrigation or water logging or over pumping of boreholes, on management of the rehabilitated pastures, on management of the marketing, and health facilities and feed storage facilities, on soil fertility programme, on environmental protection of the upper watershed catchments and riverine vegetation along the river banks, on stabilisation of the river banks, on promotion of Integrated Pest Management, on maintenance of environmental flow of the rivers and ensuring watering points for wildlife

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The *Principal Secretary* for the *State Department for Crop Development and Agricultural Research, Ministry of Agriculture, Livestock, Fisheries and Cooperatives* and the *Project Coordinator* for *Drought Resilience and Sustainable Livelihoods Programme (DRSLP)* are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangement 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 Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The *Principal Secretary* for the *State Department for Crop Development and Agricultural Research, Ministry of Agriculture, Livestock, Fisheries and Cooperatives* and the *Project Coordinator* *Drought Resilience and Sustainable Livelihoods Programme* accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

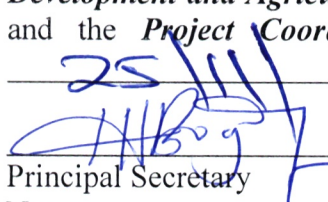
The *Principal Secretary* for *State Department for Crop Development and Agricultural Research, Ministry of Agriculture, Livestock, Fisheries and Cooperatives* and the *Project Coordinator* *Drought Resilience and Sustainable Livelihoods Programme* are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2020, and of the Project's financial position as at that date.

The *Principal Secretary* for *State Department for Crop Development and Agricultural Research, Ministry of Agriculture, Livestock, Fisheries and Cooperatives* and the *Project Coordinator* *Drought Resilience and Sustainable Livelihoods Programme* further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

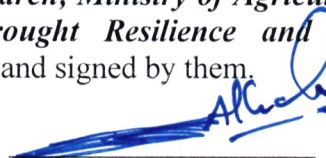
The *Principal Secretary* for the *State Department for Crop Development and Agricultural Research, Ministry of Agriculture, Livestock, Fisheries and Cooperatives* and the *Project Coordinator* *Drought Resilience and Sustainable Livelihoods Programme* confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

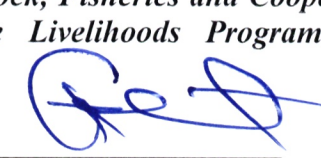
The Project financial statements were approved by the *Principal Secretary* for *State Department for Crop Development and Agricultural Research, Ministry of Agriculture, Livestock, Fisheries and Cooperatives* and the *Project Coordinator* *Drought Resilience and Sustainable Livelihoods Programme* on 25/11/2020 and signed by them.


Principal Secretary
Name

Prof. Hamadi Iddi Boga, PhD


Project Coordinator
Name

Eng. Kennedy W. Makudih


Project Accountant:

Name: **Gerald K. Kurema**

ICPAK Member Number : **8980**

5. REPORT OF THE INDEPENDENT AUDITORS ON THE DRSLP PROJECT

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON DROUGHT RESILIENCE AND SUSTAINABLE LIVELIHOODS PROGRAMME (ADF LOAN NO. 2100150028345) FOR THE YEAR ENDED 30 JUNE, 2020 – STATE DEPARTMENT FOR CROP DEVELOPMENT AND AGRICULTURAL RESEARCH

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Drought Resilience and Sustainable Livelihoods Programme set out on pages 1 to 31, which comprise the statement of financial assets as at 30 June, 2020, and the statement of receipts and payments, statement of cash flows and statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Drought Resilience and Sustainable Livelihood Programme as at 30 June, 2020 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Loan Agreement No.2100150028345 dated 27 February, 2013 between the Republic of Kenya and the African Development Fund (ADF) and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unaccounted for Opening Cash and Cash Equivalents

As disclosed in Note 9.13A to the financial statements, the statement of financial assets reflects a balance of Kshs.24,519,014 under cash and cash equivalents. However, as previously reported, the opening balance of cash-in-hand of Kshs.21,477,511 had not been fully supported in the previous year. As a result, it is still not possible to confirm the completeness and accuracy of the reported cash and cash equivalents balance of Kshs.24,519,014.

2. Unreconciled Compensation of Employees Expenses

The statement of receipts and payments reflects a balance of Kshs.7,245,000 under compensation of employees. However, the amount differs with the figure of Kshs.15,085,000 reflected in the Integrated Financial Management Information System (IFMIS) ledger extract for the same expenditure, resulting into an unexplained variance of Kshs.7,840,000.

Consequently, the completeness and accuracy of the compensation of employees' expenditure totalling Kshs.7,245,000 reflected in the statement of receipts and payments could not be confirmed.

4. Non-Maintenance of Retention Register and Deposit of Retention Monies

The statement of receipts and payments reflects Kshs.812,853,404 under acquisition of non-financial assets. However, the Project did not maintain a retention register. Examination of payment vouchers indicated that retentions for each certificate were deducted but no funds were set aside to pay contractors upon expiry of the defects liability period. In the circumstances, it is not possible to confirm how the Project will settle retention amounts when they fall due. Further, lack of retention register distorts the trail of total retention monies deducted and payable to the contractors upon expiry of the defect liability period.

5. Incomplete Imprest Register

The statement of financial asset reflects a balance of Kshs.1,374,000 under accounts receivables - imprests and advances. The Management failed to maintain a complete imprest register detailing; payee, imprest warrant number, date of issue, due date and date of surrender, contrary to provisions of Regulations 52(1)(j) and 92(4)(c) of the Public Finance Management (National Government) Regulations, 2015.

Further, a scrutiny of imprest records revealed that sixteen (16) issued imprests totalling Kshs.12,956,300 were missing from the imprest register but the same had been captured in the entity's IFMIS data. No explanation was provided for these discrepancies. The accuracy of the reported balance for accounts receivables – imprest and advances could therefore not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Drought Resilience and Sustainable Livelihoods Programme Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Pending Bills

Notes 10.1 and 10.2 to the financial statements reflects pending bills totalling Kshs.119,295,000 which comprised Kshs.111,455,000 due to suppliers of goods and services and Kshs.7,840,000 due to staff. Management has not provided explanations for non-payment of the bills. The Project is at risk of incurring significant interest costs and penalties with the continued delay in payment. Further, failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Stalled and Delayed Completion of Projects

1.1 Unrecovered Advance Payments to Contractor on Construction of Songa Irrigation Scheme in Marsabit County

The Management awarded Contract No. MOALF/DRSLP/T017/2016-2017 for the construction of Songa Irrigation Scheme in Marsabit County to a company at a contract sum of Kshs.84,158,901 (exclusive of VAT). The Project commenced on 11 July, 2017 for a contract period of 12 months envisaged to end on 11 July, 2018. However, the Project status report reflected 40.3% progress of works against a 30 month period as at the time the contract lapsed. The contractor had been paid a total of Kshs.23,581,842 which is 26% of the contract sum.

The Management made an advance payment of Kshs.8,415,890 to the contractor as per payment voucher No.00152 out of which Kshs.1,895,744 had been recovered.

Additionally, unconditional bank guarantee amounting to Kshs.8,415,890 held by the entity expired on 14 August, 2018 without further extension. According to the report of the technical team dated 18 March, 2020 (Ref: MOA/ENG/PG/35/1 VOL II/52), the contractor owes the employer Kshs.4,624,402 and the Management does not appear to have made any attempt at recovering this amount considering that the contract period had lapsed and unconditional bank guarantee had expired.

In the circumstances, there is a possibility that the employer may not recover Kshs.4,624,402 from the contractor and stakeholders may not benefit from the irrigation project as earlier envisaged.

1.2 Unrecovered Advance Payments on Construction of Kaptyoni-Kiboi Footbridge Dam in Baringo County

The Project engaged services of a company through Tender No. MOALF/DRSLP/T044/2017-2018 for the construction of Kaptyoni-Kiboi footbridge dam in Baringo County at a contract sum of Kshs.324,563,155 (exclusive of VAT). The Project commenced on 27 June, 2019 for a period of twelve months. However, information available indicates that the contractor was issued with two notices of contract termination, the latest one on 22 April, 2020 (Ref: MOALF/DRSLP/T044/2017-2018/ (51)), due to slow progress of work, despite having been paid an advance of Kshs.32,456,315.

The contractor filed an affidavit to restrain the Management from terminating his contract which was over ruled by the court on 25 June, 2020 (HCCC No. E046 of 2020). The contract has since been terminated and recommended for re-advertisement as per professional opinion No. MOALF&C/SDCD&AR/HQS/16/20-21.

The Management had made an advance payment of Kshs.32,456,315 to the contractor against a performance guarantee which expired on 18 December, 2019 and was not renewed by the contractor in accordance with clause 4.14.1 and 4.15.1 of the General Conditions (GC) of the contract. According to the joint measurement report dated 27 August, 2020, the works done was valued at Kshs.4,337,664 against a contract sum of Kshs.324,563,155 translating to an equivalent of 1.3% completion level. The contractor therefore, owes the Management Kshs.28,118,651.

In the circumstances, the Project may not recover Kshs.28,118,651 owed by the contractor due to non-performance. The slow progress of works also hampers service delivery to the intended beneficiaries of the Kiboi footbridge dam.

1.3 Stalled Works - Construction of Nakwapua Commercial Pasture and Demonstration Plot in Turkana County

The Project was awarded to a construction company through Tender No.MOLF/DRSLP/T015/2016-2017 for a contract sum of Kshs.10,227,044 (exclusive of VAT). The contract commenced on 6 June, 2018 for a period of four months. However,

the contractor made several requests for extension of the contract period which were approved and the final completion date extended to 30 November, 2019 after which the contract was to be nullified.

As per Memo Ref No. MOALF/DRSLP/T015/2017-2018/ (17), the execution of works by the contractor has been slow and the contractor abandoned the site towards the end of 2019, besides failing to renew the expired performance bond. As at 30 June, 2020, the contract had been running for 23 months against a physical completion rate of about 42%.

In the circumstances, the slow progress of works delays service delivery to the intended beneficiaries and failure to hold a valid performance bond by the contractor contravenes clause 4.15 of the General Conditions of the contract.

1.4 Stalled Works in Konoo Irrigation Scheme in Turkana County

The Project Management awarded a contract Tender No. MOALF/DRSLP/T011/2017-2018 to a construction company at a contract sum of Kshs.221,507,805 (exclusive of VAT). The Project commenced on 8 June, 2018 for a contract period of 12 months.

On 31 May, 2019, the Contractor applied for extension of time for six months, which was granted on 24 June, 2019 for a period of six (6) months upto 19 December, 2019. On 30 November, 2019, the contractor requested for an additional 6 months extension which was rejected and the contract was recommended for termination as per letter Ref No. MOALF/DRSLP/T011/6/2017-2018/ (101). The measured works was established to be Kshs.59,235,804 or about 27% of the contract sum while the contractor had already been paid a total of Kshs.55,427,734 (about 25% of the contract sum) as at 30 June, 2020 against a timeline of 25 months.

2. Vote Control Procedure – Lack of Authority to Incur Expenditure

The statement of Project Management and responsibilities states that the Principal Secretary and the Program Coordinator for the Programme are responsible for ensuring that the financial statements give a true and fair view of the state of affairs as at the year end and of the transactions during the year. It was, however, observed that the State Department, upon receipt of the Exchequer Release of GOK counterpart funding, was not transferring these funds to the Programme's designated bank account.

Further, the statement of comparative budget and actual amounts reflects a final budget of Kshs.1,081,080,916, which includes transfers from government entities amounting to Kshs.60,034,000 which was not transferred to the Programme's bank account as required but was in the control of the State Department. In the annual approved estimates of the State Department for 2019/2020, the amount was presented as Capital Grants to Government Agencies and other Levels of Government, whereas it was supposed to be a transfer to the Programme. No explanations were provided for these anomalies.

3. Goods Procured not Put to Use

The statement of receipts and payments reflects an amount of Kshs.812,853,404 under acquisition of non-financial assets which, includes an expenditure of Kshs.498,032,100 incurred on purchase of fungicides and insecticides. During the financial year under review, the Programme procured chemicals to combat the locust invasion at a total cost of Kshs.609,486,100 from thirteen companies through the restricted tendering process. An amount of Kshs.498,031,100 was paid to the suppliers leaving a balance of Kshs.111,455,000 as pending bills.

Audit inspections of the stores at Kabete on 28 and 29 October, 2020 revealed that the products were still held in the stores several months after delivery. No explanation was provided for non-utilization of the chemicals despite being emergency procurements.

In the circumstances, the substantial expenditure of Kshs.609,486,100 on purchase of chemicals to fight the locust invasion across the country cannot be ascertained as a proper charge to public funds, the products may expire before use and stakeholders may not derive value for money from the procurement process.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT SYSTEMS AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Segregation of Duties on Cash Management

During the financial year under review, it was noted that the duties of handling cash, maintaining cashbook, preparation and checking reconciliations were being handled by one person instead of segregating among other officers. No explanation was provided for failure to segregate duties. In the circumstances, key processes and internal controls of the Programme may be prone to risk of abuse, fraud or errors.

2. Lack of Internal Audit Function

The Internal Audit Unit of the State Department for Crop Development and Agricultural Research is expected to carry out internal control assessments on the Programme's activities. However, there is no evidence that such assessments were carried out. As a result, the Programme's internal control environment is weak and the situation has hampered efficient and effective execution of the Programme activities. These include:

- i. Non-alignment of operations to the strategy and objectives of the Programme Control Unit's,
- ii. Non-efficiency and non-effectiveness of operational processes,
- iii. Lack of standardization and accountability around the Programme's controls which consequently exposes it to an increased potential for budget overruns, waste and misuse of resources, and obscures the transparency required to assess the root cause of issues.

3. Inactive Audit Committee

The Programme's Audit Committee was constituted by the implementing State Department. However, the Committee did not convene or hold regular meetings during the year as required under Section 73(5) of the Public Finance Management Act, 2012. No internal audit report was tabled or discussed by the Audit Committee.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by The African Development Fund, I report based on my audit, that, except for the matters described in the Basis for Qualified Opinion, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Basis for Effectiveness of Internal Controls, Risk Management and Governance sections of my report:

- i. The Programme's funds have been used in accordance with the conditions of the Loan Agreement;
- ii. Counterpart funds provided have been used in accordance with the conditions of the Loan Agreement;
- iii. Goods and services financed have been procured in accordance with the Loan Agreement and the Bank's rules and procedures;

- iv. Necessary supporting documents, records and accounts have been kept in respect of all Programme's activities;
- v. Internal controls to monitor expenditure and other financial transactions and ensure safe custody of assets exist; and
- vi. Ledgers and fixed assets register for the Programme's assets are maintained.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the ability of Drought Resilience and Sustainable Livelihoods Programme to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of intention to terminate the Programme or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect

a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Drought Resilience and Sustainable Livelihoods Programme 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 Programme to cease sustaining its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Drought Resilience and Sustainable Livelihoods Programme 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.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

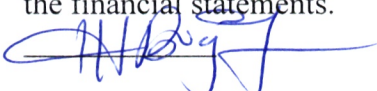
05 January, 2021

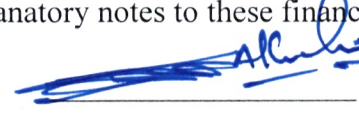
Drought Resilience and Sustainable Livelihood Programme (DRSLP)
Reports and Financial Statements
For the financial year ended June 30, 2020

6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2020

	Note	2019/2020		2018/2019		Cumulative to-date (From inception)
		Receipts and payments controlled by the entity	Payments made by third parties	Receipts and payment controlled by the entity	Payments made by third parties	
		KShs	KShs	KShs	KShs	KShs
RECEIPTS						
Transfer from Government entities	9.3	45,304,210	-	27,334,588	-	157,438,798
Proceeds from domestic and foreign grants	9.4	-	-	-	-	-
Loan from external development partners	9.5	120,387,990	812,853,404	66,957,355	591,604,017	3,267,486,320
Miscellaneous receipts	9.6	-	-	-	-	-
TOTAL RECEIPTS		165,692,200	812,853,404	94,291,943	591,604,017	3,424,925,118
PAYMENTS						
Compensation of employees	9.7	7,245,000	-	7,655,000	-	37,607,688
Purchase of goods and services	9.8	200,213,205	-	61,341,609	-	680,337,092
Social security benefits	9.9	-	-	-	-	-
Acquisition of non-financial assets	9.10	-	812,853,404	-	591,604,017	2,598,453,203
Transfers to other government entities	9.11	6,943,725	-	-	-	-
Other grants and transfers and payments	9.12	-	-	-	-	-
TOTAL PAYMENTS		214,401,931	812,853,404	68,996,609	591,604,017	3,316,397,984
SURPLUS/(DEFICIT)		(48,709,731)	-	25,295,334	(0)	108,527,134

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.


Principal Secretary
Name:
Prof. Hamadi I. Boga, PhD


Project Coordinator
Name:
Eng. Kennedy Makudih

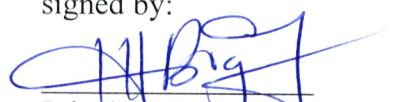

Project Accountant
Name **Gerald K. Kurema**
ICPAK Member Number: 8980

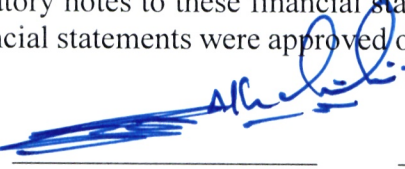
Drought Resilience and Sustainable Livelihood Programme (DRSLP)
Reports and Financial Statements
For the financial year ended June 30, 2020

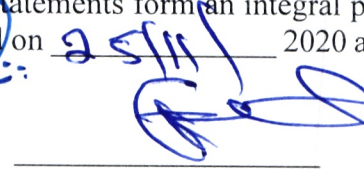
7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2020

	Note	2019-2020	2018-2019
		KShs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	9.13.A	24,519,014	47,362,768
Cash Balances	9.13.B	-	-
Cash Equivalents (short-term deposits)	9.13.C	-	-
Total Cash and Cash Equivalents		24,519,014	47,362,768
Accounts receivables – Imprest and Advances	9.14	1,374,000	27,239,977
TOTAL FINANCIAL ASSETS		25,893,014	74,602,745
REPRESENTED BY			
Fund balance b/fwd	9.15	74,602,745	49,309,411
Prior year adjustments	9.16	-	-
Surplus/(Deficit) for the year		(48,709,731)	25,293,334
NET FINANCIAL POSITION		25,893,014	74,602,745.00

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 25th June 2020 and signed by:


Principal Secretary
Prof. Hamadi I. Boga, PhD


Project Coordinator
Eng. Kennedy W. Makudiuh

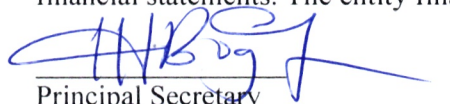

Project Accountant
Gerald K. Kurema
ICPAK Member No.: 8980

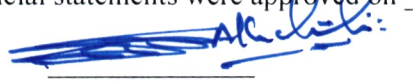
Drought Resilience and Sustainable Livelihood Programme (DRSLP)
Reports and Financial Statements
For the financial year ended June 30, 2020

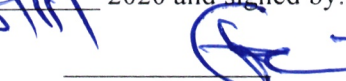
8. STATEMENT OF CASHFLOWS FOR THE PERIOD 30TH JUNE 2020

		2019-2020	2018-2019
	Note	KShs	KShs
Receipts from operating activities			
Transfer from Government entities	9.3	45,304,210.00	27,334,588.00
Proceeds from domestic and foreign grants	9.4	-	-
Miscellaneous receipts	9.6	-	-
Payments from operating activities			
Compensation of employees	9.7	7,245,000	7,655,000
Purchase of goods and services	9.8	200,213,205	61,343,609
Social security benefits	9.9	-	-
Transfers to other government entities	9.11	6,943,725	-
Other grants and transfers	9.12	-	-
Adjustments during the year			
Decrease/(Increase) in Accounts receivable: (outstanding imprest)	9.17	25,865,977	26,274,767
Increase/(Decrease) in Accounts Payable: (deposits and retention)	9.18	-	-
Prior Year Adjustments	9.16	-	-
Net cash flow from operating activities		(143,231,744)	(67,938,788)
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Non financial Assets	9.10	812,853,404	591,604,018
Net cash flows from Investing Activities		(812,853,404)	(591,604,018)
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	9.5	933,241,394	658,561,373
Net cash flow from financing activities		933,241,394	658,561,373
NET INCREASE IN CASH AND CASH EQUIVALENT		(22,843,754)	(981,433)
Cash and cash equivalent at BEGINNING of the year		47,362,768	48,344,201
Cash and cash equivalent at END of the year		24,519,014	47,362,768

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 25/11/2020 and signed by:


Principal Secretary
Name: **Prof. Hamadi I. Boga, PhD**


Project Coordinator
Eng. Kennedy W. Makudih


Project Accountant
Name : **Gerald K. Kurema**
ICPAK Member No: **8980**

Drought Resilience and Sustainable Livelihood Programme (DRSLP)
Reports and Financial Statements
For the financial year ended June 30, 2020

9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

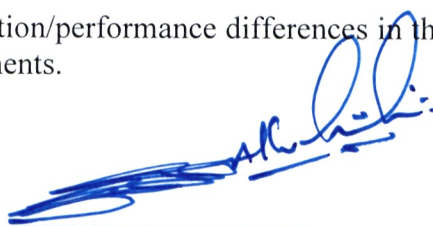
Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfer from Government entities	60,034,000	-	60,034,000	45,304,210	14,729,790	75%
Proceeds from domestic and foreign grants	-		-	-	-	
Proceeds from borrowings	1,053,046,916	(32,000,000)	1,021,046,916	933,241,394	87,805,522	91%
Miscellaneous receipts	-			-	-	
Total Receipts	1,113,080,916	(32,000,000)	1,081,080,916	978,545,604	102,535,312	91%
Payments						
Compensation of employees	15,400,000	-	15,400,000	7,245,000	8,155,000	47%
Purchase of goods and services	229,421,758	(64,216,858)	165,204,900	200,213,205	(35,008,305)	121%
Social security benefits	-	-	-	-	-	
Acquisition of non-financial assets	868,259,158	32,216,858	900,476,016	812,853,404	87,622,612	90%
Transfers to other government entities	-	-	-	6,943,725	(6,943,725)	0%
Other grants and transfers	-	-	-	-	-	
Total Payments	1,113,080,916	(32,000,000)	1,081,080,916	1,027,255,335	53,825,581	95%

Note: The significant budget utilisation/performance differences in the last column are explained in **Annex 1** to these financial statements.



Principal Secretary

Name: **Prof:Hamadi L. Boga, PhD**



Project Coordinator

Eng. Kennedy W. Makudih



Project Accountant

Gerald K. Kurema
ICPAK M/No8980

10.

NOTES TO THE FINANCIAL STATEMENTS

The principal accounting policies adopted in the preparation of these financial statements are set out below:

9.1. Basis of Preparation

9.1.1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the PSASB and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

The accounting policies adopted have been consistently applied to all the years presented.

9.1.2. Reporting entity

The financial statements are for the ***Drought Resilience and Sustainable Livelihood Programme*** are under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

9.1.3. Reporting currency

The financial statements are presented in Kenya Shillings (KShs), which is the functional and reporting currency of the Project and all values are rounded to the nearest Kenya Shilling.

9.2. Significant Accounting Policies

a) Recognition of receipts

The Project recognises all receipts from the various sources when the event occurs, and the related cash has actually been received by the Government.

- **Transfers from the Exchequer**

Transfer from Exchequer is be recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

- **External Assistance**

External assistance is received through grants and loans from multilateral and bilateral development partners.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donations and grants

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

Proceeds from borrowing

Borrowing includes Treasury bill, treasury bonds, corporate bonds, sovereign bonds and external loans acquired by the Project or any other debt the Project may take on will be treated on cash basis and recognized as a receipt during the year they were received.

Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary

- **Other receipts**

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognised in the financial statements the time associated cash is received.

b) Recognition of payments

The Project recognises all payments when the event occurs, and the related cash has actually been paid out by the Project.

- **Compensation of employees**

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

- **Use of goods and services**

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. If not paid for during the period where goods/services are consumed, they shall be disclosed as pending bills.

- **Interest on borrowing**

Borrowing costs that include interest are recognized as payment in the period in which they incurred and paid for.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Repayment of borrowing (principal amount)**

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the consolidated financial statements.

- **Acquisition of fixed assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

c) In-kind donations

In-kind contributions are donations that are made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Project includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

Restriction on cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits

SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Accounts receivable

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

f) Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships,

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. **Annex 4** of this financial statement is a register of the contingent liabilities in the year.

Section 89 (2) (i) of the PFM Act requires the National Government to report on the payments made, or losses incurred, by the county government to meet contingent liabilities as a result of loans during the financial year, including payments made in respect of loan write-offs or waiver of interest on loans

g) Contingent Assets

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

h) Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Project at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

i) Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation.

A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

j) Third party payments

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties column in the statement of receipts and payments.

During the year Kshs 812,853,404 being loan disbursements were received in form of direct payments from third parties

k) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of receipts and payments.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Comparative figures

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

m) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2020.

n) Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. Restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.3. RECEIPTS FROM GOVERNMENT OF KENYA

These represent counterpart funding and other receipts from government as follows:

	2019/20	2018/19	Cumulative
	KShs	KShs	to-date(from inception)
<i>Counterpart funding through MALF&I</i>			
Counterpart funds Quarter 1 to 4	45,304,210.00	27,334,585.00	157,438,798.00
Total	<u>45,304,210.00</u>	<u>27,334,585.00</u>	<u>157,438,798.00</u>
	-	-	-

[Provide explanation as necessary noting that “Other transfers from government entities” is not the counterpart funding which is the government’s share of contribution towards the implementation of the project as mandated by the Project Agreement.]

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.4. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the 12 months to 30 June 2020 we received grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment*	Grants received in kind	Total amount in KShs	
						2019/20	2018/19
			KShs	KShs	KShs	KShs	KShs
Grants Received from Bilateral Donors (Foreign Governments)							
African Development Bank	-		-	-	-	-	-
Total						0	0

* The direct payment grants represent payments for goods and services done directly by the donor on behalf of the project. Projects should ensure that the adequate documents and support document is requested from the donors to support this grant.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.5. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30 June 2020 we received funding from development partners in form of loans negotiated by the National Treasury donors as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in KShs	
			KShs	KShs	2019/20	2018/19
Loans Received from Multilateral Donors (International Organisations)						
African development Bank	2019/2020	9,250,744.87	120,387,990	812,853,404	933,241,394	658,561,373
Total		9,250,744.87	120,387,990	812,853,404	933,241,394	658,561,373

9.6. MISCELLANEOUS RECEIPTS

	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total Receipts		(from inception)
	KShs	KShs	KShs		
Property income	-	-	-	-	-
Sales of goods and services	-	-	-	-	-
Administrative fees and charges	-	-	-	-	-
Fines, penalties and forfeitures	-	-	-	-	-
Voluntary transfers other than grants	-	-	-	-	-
Other receipts not classified elsewhere	-	-	-	-	-
	=	=	=	=	=

[Provide explanation as necessary]

Drought Resilience and Sustainable Livelihood Programme (DRSLP)
Reports and Financial Statements
For the financial year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.7. COMPENSATION OF EMPLOYEES

	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
-	KShs	KShs	KShs	KShs	KShs
Basic salaries of permanent employees	-	-	-	-	-
Basic wages of temporary employees	-	-	-	-	-
Personal allowances paid as part of salary	7,245,000	-	7,245,000	7,655,000	37,607,688
Personal allowances paid as reimbursements	-	-	-	-	-
Personal allowances provided in kind	-	-	-	-	-
Pension and other social security contributions	-	-	-	-	-
Compulsory national social security schemes	-	-	-	-	-
Compulsory national health insurance schemes	-	-	-	-	-
Social benefit schemes outside government	-	-	-	-	-
Other personnel payments	-	-	-	-	-
Total	<u>7,245,000</u>	<u>=</u>	<u>7,245,000</u>	<u>7,655,000</u>	<u>37,607,688</u>

Drought Resilience and Sustainable Livelihood Programme (DRSLP)***Reports and Financial Statements******For the financial year ended June 30, 2020*****NOTES TO THE FINANCIAL STATEMENTS (Continued)****9.1. PURCHASE OF GOODS AND SERVICES**

	2019/20			2018/19	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Utilities, supplies and services	-	-	-	-	3,950,852
Communication, supplies and services	719,075	244,625	963,700	-	3,824,700
Domestic travel and subsistence	84,935,695	1,999,100	86,934,795	39,862,471	279,162,700
General Expenses	2,389,005	1,000,000	3,389,005	1,320,810	163,481,131
Printing, advertising and – information supplies & services	13,626,736	6,988,955	20,615,691	6,001,934	38,869,826
Rentals of produced assets	-	-	-	-	-
Training payments	14,473,110	27,710,450	42,183,560	8,630,950	104,264,107
Hospitality supplies and services	398,440	-	398,440	-	2,815,966
Insurance costs	-	-	-	-	-
Specialised materials and services	-	-	-	-	5,735,370
Other operating payments	21,000	-	21,000	-	2,734,261
Fuel Oil & Lubricants	6,470,707	-	6,470,707	4,060,000	14,181,106
Routine maintenance – vehicles and other transport equipment	14,560,852	-	14,560,852	123,807	31,385,189
Routine maintenance- – other assets	-	-	-	69,087	69,087
Telephone, telefax	1,605,000	116,080	1,721,080	1,274,550	3,327,110
Office supplies	780,000	-	780,000	-	4,361,312
Purchase of certified seeds	22,174,375	-	22,174,375	22,174,375	22,174,375
Total	<u>162,153,995</u>	<u>38,059,210</u>	<u>200,213,205</u>	<u>83,517,984</u>	<u>680,337,092</u>

[Provide explanation as necessary]

Drought Resilience and Sustainable Livelihood Programme (DRSLP)**Reports and Financial Statements****For the financial year ended June 30, 2020****NOTES TO THE FINANCIAL STATEMENTS (Continued)****9.2. SOCIAL SECURITY BENEFITS**

	2019/20			2018/19	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Government pension and retirement benefits	-	-	-	-	0
Social security benefits in cash and in kind	-	-	-	-	0
Employer social benefits in cash and in kind	-	-	-	-	0
Total	=	=	=	=	=

*[Provide explanation as necessary]***9.3. ACQUISITION OF NON-FINANCIAL ASSETS**

	2019/20			2018/19	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Purchase of buildings	-	-	-	-	-
Construction of buildings	-	-	-	-	-
Refurbishment of buildings	-	-	-	-	-
Construction of roads	-	-	-	-	-
Construction of civil works	-	314,822,304.00	314,822,304.00	565,754,465.00	2,100,422,103.13
Overhaul & refurbishment of construction and civil works	-	-	-	-	-
Purchase of vehicles & other transport equipment	-	-	-	-	-

Drought Resilience and Sustainable Livelihood Programme (DRSLP)
Reports and Financial Statements
For the financial year ended June 30, 2020

Overhaul of vehicles & other transport equipment	-	-	-	-	-
Purchase of household furniture & institutional equipment	-	-	-	-	-
Purchase of office furniture & general equipment	-	-	-	-	-
Purchase of specialized plant, equipment and machinery	-	-	-	-	-
Rehabilitation & renovation of plant, equipment & machinery	-	-	-	-	-
Purchase of Fungicides, insecticides & sprays	-	498,031,100.00	498,031,100.00	-	498,031,100.00
Research, studies, project preparation, design & supervision	-	-	-	-	-
Rehabilitation of civil works	-	-	-	-	-
Acquisition of strategic stocks	-	-	-	-	-
Acquisition of land	-	-	-	-	-
Acquisition of other intangible assets	-	-	-	-	-
Total	=	812,853,404.00	812,853,404.00	565,754,465.00	2,598,453,203.13

[Provide explanation as necessary]

Drought Resilience and Sustainable Livelihood Programme (DRSLP)
Reports and Financial Statements
For the financial year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.11. TRANSFERS TO OTHER GOVERNMENT ENTITIES

During the 12 months to 30 June 2020, we transferred funds to reporting government entities as shown below:

	2019/20			2018/19	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Transfers to other Government entities					
RLACC	6,943,725.35	-	6,943,725.35	-	6,943,725.35
	<u>6,943,725.35</u>	<u>-</u>	<u>6,943,725.35</u>	<u>-</u>	<u>6,943,725.35</u>
Transfers to County Government					
West Pokot	-	-	-	-	5,620,142.00
Isiolo	-	-	-	-	6,325,745.00
Turkana	-	-	-	-	6,499,764.00
Marsabit	-	-	-	-	6,385,195.00
Baringo	-	-	-	-	5,536,773.00
Samburu	-	-	-	-	4,929,919.00
					<u>35,297,538.00</u>
TOTAL	<u>6,943,725.35</u>		<u>6,943,725.35</u>	<u>-</u>	<u>42,241,263.35</u>

We have confirmed that the beneficiary institutions have received the funds and have recorded these as inter-entity receipts. We have attached these duly signed confirmations as an Appendix to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.12. OTHER GRANTS AND TRANSFERS AND PAYMENTS

	2019/20			2018/19	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Grants for scholarships	-	-	-	-	-
Transfers to lower levels of government e.g schools	-	-	-	-	-
Miscellaneous payments	-	-	-	-	-
Total	-	-	-	-	-

[Provide explanation as necessary]

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.13. CASH AND CASH EQUIVALENTS CARRIED FORWARD

	2019/20	2018/19
	KShs	KShs
Bank accounts (Note 9.13A)	24,519,014	47,362,768
Cash in hand (Note 9. 13B)	-	-
Cash equivalents (short-term deposits) (Note 8.13C)	-	-
Total	<u>24,519,014</u>	<u>47,362,768</u>

The project has 1 number of project accounts spread within the project implementation area and zero number of foreign currency designated accounts managed by the National Treasury as listed below:

9.13 A Bank Accounts

Project Bank Accounts

	2019/20	2018/19
	KShs	KShs
<u>Local Currency Accounts</u>		
Central Bank of Kenya [A/c No1000212519]	-	-
Central Bank of Kenya [A/c No1000176148]	-	-
Central Bank of Kenya [A/c No1000387564]	24,519,014.45	47,362,768.00
Total local currency balances	<u>24,519,014.45</u>	<u>47,362,768.00</u>
Total bank account balances	<u>24,519,014.45</u>	<u>47,362,768.00</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2020 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule which shows the flow of funds that were voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

Special Deposit Accounts Movement Schedule

	2019/20	2018/19
	KShs	KShs
(i) A/C Name [A/c No1000175923]		
Opening balance	24,099,592.51	64,096,956.58
Total amount deposited in the account	99,094,148.78	84,104,512.22
Total amount withdrawn (as per Statement of Receipts & Payments)	120,387,990.00	124,101,876.29
Closing balance (as per SDA bank account reconciliation attached)	2,805,751.29	24,099,592.51

The Special Deposit Account(s) reconciliation statement(s) has (have) been attached as *Appendix iv* support these closing balances.

9.13B Cash In Hand

	2019/20	2018/19
	KShs	KShs
Turkana	-	-
Isiolo	-	-
Marsabit	-	-
West Pokot	-	-
Baringo	-	-
Samburu	-	-
Kalro	-	-
Total cash balances	-	-

Drought Resilience and Sustainable Livelihood Programme (DRSLP)
Reports and Financial Statements
For the financial year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.13C Cash equivalents (short-term deposits)

	2019/20	2018/19
	KShs	KShs
Kenya Commercial Bank [A/C No.....]	-	-
Co-Operative Bank of Kenya [A/C No.....]	-	-
Others (<i>Specify</i>)	-	-
Total	-	-

[Provide short appropriate explanations as necessary]

9.14. OUTSTANDING IMPRESTS AND ADVANCES

<i>Name of Officer or Institution</i>	<i>Amount Taken</i>	<i>Due Date of Surrender</i>	<i>Amount Surrendered</i>	<i>Balance 2020</i>	<i>Balance 2019</i>
Agnes Nduta Kanyoro	634,200.00	30.06.2020	-	634,200.00	0
Elizabeth Jepkemoi Yegon	739,800.00	30.06.2020	-	739,800.00	0
Total	1,374,000.00	-	-	1,374,000.00	0

9.15. FUND BALANCE BROUGHT FORWARD

	2019/20	2018/19
	KShs	KShs
Bank accounts	24,519,014.45	47,362,768.00
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	1,374,000.00	27,239,977.00
Total	25,893,014.45	74,602,745.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.16. PRIOR YEAR ADJUSTMENT

	Balance b/f FY 2018/2019 as per Financial statements	Adjustments	Adjusted Balance b/f FY 2018/2019
Description of the error	Kshs	Kshs	Kshs
Bank account Balances	-	-	-
Cash in hand	-	-	-
Accounts Payables	-	-	-
Receivables	-	-	-
Others (<i>specify</i>)	-	-	-
	-	-	-

(Explain whether the prior year relates to errors noted in prior year, changes in estimates or accounting policy.)

9.17. CHANGES IN RECEIVABLE

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Net changes in account receivables	25,865,977.00	27,239,977.00

9.18. CHANGES IN ACCOUNTS PAYABLE – DEPOSITS AND RETENTIONS

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Deposit and Retentions as at 1 st July 2019 (A)	-	-
Deposit and Retentions held during the year (B)	-	-
Deposit and Retentions paid during the Year (C)	-	-
Net changes in account receivables D= A+B-C	-	-

Drought Resilience and Sustainable Livelihood Programme (DRSLP)
Reports and Financial Statements
For the financial year ended June 30, 2020

11. OTHER IMPORTANT DISCLOSURES

10.1 PENDING ACCOUNTS PAYABLE (See Annex 2A)

	Balance b/f FY 2018/2019	Additions for the period	Paid during the year	Balance c/f FY 2019/2020
Description	Kshs	Kshs	Kshs	Kshs
Construction of buildings	-	-	(-)	-
Construction of civil works	-	-	(-)	-
Supply of goods	-	111,455,000	(-)	111,455,0
Supply of services	-	-	(-)	-
Total	-	111,455,000	(-)	111,455,000

10.2 PENDING STAFF PAYABLES (See Annex 2B)

	Balance b/f FY 2018/2019	Additions for the period	Paid during the year	Balance c/f FY 2019/2020
Description	Kshs	Kshs	Kshs	Kshs
Projects Staff				7,840,000
Total		7,840,000	-	7,840,0

10.3 OTHER PENDING PAYABLES (See Annex 2C)

	Balance b/f FY 2018/2019	Additions for the period	Paid during the year	Balance c/f FY 2019/2020
Description	Kshs	Kshs	Kshs	Kshs
Amounts due to National Government entities	-	-	(-)	-
Amounts due to County Government entities	-	-	(-)	-
Amounts due to third parties	-	-	(-)	-
Total	-	-	(-)	-

OTHER IMPORTANT DISCLOSURES (Continued)

10.4 External Assistance

	FY 2019/2020	FY 2018/2019
Description	Kshs	Kshs
External assistance received in cash	-	-
External assistance received as loans and grants	-	-
External assistance received in kind- as payment by third parties	-	-
Total	-	-

a) External assistance relating loans and grants

	FY 2019/2020	FY 2018/2019
Description	Kshs	Kshs
External assistance received as loans	-	-
External assistance received as grants	-	-
Total	-	-

b) Undrawn external assistance

	Purpose for which the undrawn external assistance may be used	FY 2019/2020	FY 2018/2019
Description		Kshs	Kshs
Undrawn external assistance - loans		-	-
Undrawn external assistance - grants		-	-
Total		-	-

c. Classes of providers of external assistance

	FY 2019/2020	FY 2018/2019
Description	Kshs	Kshs
Multilateral donors	-	-
Bilateral donors	-	-
International assistance organization	-	-
NGOs	-	-
National Assistance Organization	-	-
Total	-	-

Provide details of the reasons for external assistance e.g. Economic development or welfare objective, Emergency relief, Trading activities etc

Drought Resilience and Sustainable Livelihood Programme (DRSLP)
Reports and Financial Statements
For the financial year ended June 30, 2020

OTHER IMPORTANT DISCLOSURES (Continued)

d. Non-monetary external assistance

	FY 2019/2020	FY 2018/2019
Description	Kshs	Kshs
Goods	-	-
Services	-	-
Total	-	-

This may occur when goods such as vehicles, computers, medical equipment, food aid etc are contributed to a county by donors, NGO etc

N/B : Disclose the basis on which the value of goods and services were determined (This may be by : depreciated historical cost of physical assets, price attached on the goods, an assessment of value by the management of transferor, recipient on Third Party, Fair value measurement.

e Purpose and use of external assistance

PAYMENTS MADE BY THIRD PARTIES	FY 2019/2020	FY 2018/2019
	Kshs	Kshs
Compensation of Employees	-	-
Use of goods and services	-	-
Subsidies	-	-
Transfers to Other Government Units	-	-
Other grants and transfers	-	-
Social Security Benefits	-	-
Acquisition of Assets	-	-
Finance Costs, including Loan Interest	-	-
Repayment of principal on Domestic and Foreign borrowing	-	-
Other Payments	-	-
TOTAL	-	-

N/B The above sub-classification will be adopted based on the purpose of the external assistance and how the external assistance was used.

Drought Resilience and Sustainable Livelihood Programme (DRSLP)
Reports and Financial Statements
For the financial year ended June 30, 2020

OTHER IMPORTANT DISCLOSURES (Continued)

f. External Assistance paid by Third Parties on behalf of the Entity by Source

This relates to external assistance paid directly by third parties to settle obligations on behalf of the entity

	FY 2019/2020	FY 2018/2019
Description	Kshs	Kshs
National government	-	-
Multilateral donors	-	-
Bilateral donors	-	-
International assistance organization	-	-
NGOs	-	-
National Assistance Organization	-	-
Total	-	-

Drought Resilience and Sustainable Livelihood Programme (DRSLP)
Reports and Financial Statements
For the financial year ended June 30, 2020

12. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S 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)
DRSLP/2017/(13)	Lack of reconciliation statements /evidence to support the variance.	The documents were provided for audit verification	Gerald Kurema Principal Accountant	Resolved	
	Failure to capture of transaction in the IFMIS ledger and lack of trial balance	The trial balance was availed	Gerald Kurema Principal Accountant	Not Resolved	The information will be verified during the 2018/2019 audit.
	Failure by management to provide information relating to progress reports and site meetings	Progress reports and site meeting were provided	Gerald Kurema Principal Accountant	Resolved	The issue has already been resolved.
	Failure to provide evidence supporting domestic travel and subsistence allowance amounting to kshs.2,945,420 and ksh, in respect to maintenance of vehicles and other transport equipment respectively	The supporting documents were provided and reviewed	Gerald Kurema Principal Accountant	Resolved	The issue has already been resolved.
	Cash and Cash Equivalent	i.The unsupported cash balance of ksh,16,576,145.	Gerald Kurema Principal Accountant	The management provided	The issue of cash and cash equivalent

Drought Resilience and Sustainable Livelihood Programme (DRSLP)
Reports and Financial Statements
For the financial year ended June 30, 2020

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		ii. Payments of ksh, 2,143,900 in respect to bank account No.100021259 held at CBK not recorded in the cash book. iii. Lack of supporting documents in respect to Ksh, 194,174 relating to receipts the bank not yet recorded in the cash book		a revised cash book reconciliation statements which addressed the issues in the Audit Report	will be reviewed in the 2018/2019 audit.
	Statement of Comparative Budget and Actual amounts	Failure to prepare the statements of comparative budget and actual amounts contrary to paragraph 1.9 of the International Public Sector Accounting Standards Board Guidelines.		The management has now prepared the statement of comparative budget and actuals amounts.	Resolved
	The special Account Statements	The variance of ksh. 1,455,722.09 between the project financial statements as disclosed under	Gerald Kurema Principal Accountant	The management provided the relevant evidence	Resolved

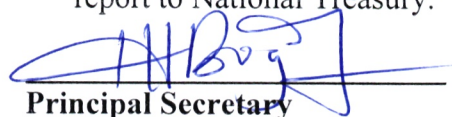
Drought Resilience and Sustainable Livelihood Programme (DRSLP)
Reports and Financial Statements
For the financial year ended June 30, 2020

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)
		note 8.5 and the special account.		documents to support the reconciliation	
Budgetary Control	Spending kshs, 14,748,434.73 above budgetary provisions Contrary to section 68(1)(a) of the PFM Act 2012	Management applied accrual basis which is not applicable in cash basis	Gerald Kurema Principal accountant	Resolved	Financial documents were revised.
Construction of Loosuk Earth dam	(i) Failure to levy liquidated damages (ii) Irregular extension of contract period (iii) Overpayment of contract sum	Management provided documents to show there were no liquidated damages, contract extension was regular and payment was as per contract sum	Gerald Kurema Principal accountant	Resolved	
Construction of Maral livestock Market	(i) Failure to levy liquidated damages (ii) Irregular extension of contract period (iii) Overpayment of contract sum	Documents provided by management shows the project was completed on time and no overpayment of the contract sum	Gerald Kurema Principal accountant	Resolved	
Construction of Kilimani Game Galana Irrigation Scheme.	(i) Slow in progress of work (ii) Failure to pay liquidated damages (iii) Irregular extension of contract	Documents provided shows issues were addressed and no liquidated damages to be paid	Gerald Kurema Principal accountant	Resolved	

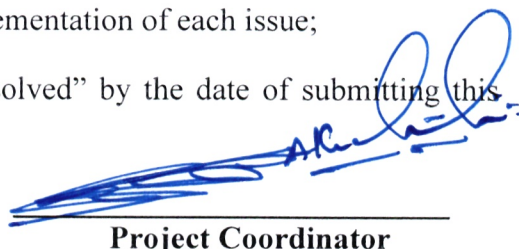
Drought Resilience and Sustainable Livelihood Programme (DRSLP)
Reports and Financial Statements
For the financial year ended June 30, 2020

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.


Principal Secretary

Date


Project Coordinator

25/11/2020
Date

Drought Resilience and Sustainable Livelihood Programme (DRSLP)
Reports and Financial Statements
For the financial year ended June 30, 2020

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Explanation for the Variance
	a	b	c=a+b	d	e=c-d	f=d/c %	
Receipts							
Transfer from Government entities	60,034,000	-	60,034,000	45,304,210	14,729,790	75%	Lack of adequate funding from exchequer
Proceeds from domestic and foreign grants	-		-	-	-	-	
Proceeds from borrowings	1,053,046,916	(32,000,000)	1,021,046,916	933,241,394	87,805,522	91%	
Miscellaneous receipts	-			-	-	-	
Total Receipts	1,113,080,916	(32,000,000)	1,081,080,916	978,545,604	102,535,312	91%	
Payments							
Compensation of employees	15,400,000	-	15,400,000	7,245,000	8,155,000	47%	Lack of adequate funding from exchequer
Purchase of goods and services	229,421,758	(64,216,858)	165,204,900	200,213,205	(35,008,305)	121%	Prior year Outstanding imprest surrendered during the year
Social security benefits	-	-	-	-	-	-	
Acquisition of non-financial assets	868,259,158	32,216,858	900,476,016	812,853,404	87,622,612	90%	
Transfers to other government entities	-	-	-	6,943,725	(6,943,725)	0%	
Other grants and transfers	-	-	-	-	-		
Total Payments	1,113,080,916	(32,000,000)	1,081,080,916	1,027,255,335	53,825,581	95%	

Drought Resilience and Sustainable Livelihood Programme (DRSLP)
Reports and Financial Statements
For the financial year ended June 30, 2020

ANNEX 2A - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2020	Outstanding Balance 2019	Comments
	a	b	c	d=a-c		
Construction of buildings						
Sub-Total						
Construction of civil works						
Sub-Total						
Supply of goods						
1. Swan solution Ltd	48,215,000	30.6.2020	-	48,215,000	-	Purchase of pesticides
2. Britzel International Ltd	63,240,000	30.06.2020	-	63,240,000	-	Purchase of pesticides
Sub-Total	111,455,000			111,455,000		
Supply of services						
3.						
4.						
5.						
Sub-Total						
Grand Total	111,455,000			111,455,000		

ANNEX 2B - ANALYSIS OF PENDING STAFF BILLS

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2020	Outstanding Balance 2019	Comments
		a	b	c	d=a-c		
Permanent Employees - Management							
1.							
2.							
3.							
Sub-Total							
Permanent Employees – Others							
4.							
5.							
6.							
Sub-Total							
Temporary employees							
7.							
8.							
9.							
Sub-Total							
Others (specify)							
10.							
11.							
12.							
Sub-Total							
Grand Total							

Drought Resilience and Sustainable Livelihood Programme (DRSLP)
Reports and Financial Statements
For the financial year ended June 30, 2020

ANNEX 2C - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2020	Outstanding Balance 2020	Comments
		a	b	c	d=a-c		
Amounts due to National Govt Entities							
1.							
2.							
3.							
Sub-Total							
Amounts due to County Govt Entities							
4.							
5.							
6.							
Sub-Total							
Amounts due to Third Parties							
7.							
8.							
9.							
Sub-Total							
Others (specify)							
10.							
11.							
12.							
Sub-Total							
Grand Total							

Drought Resilience and Sustainable Livelihood Programme
Reports and Financial Statements
For the financial year ended June 30, 2020

ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost (KShs) 2019/20	*Purchases/Additions in the Year (KShs) 2019/20	**Disposals in the Year (KShs) 2019/20	Transfers in/(out) Kshs 2019/20	Closing Cost (KShs) 2020
	(a)	(b)	(c)	(d)	(e)= (a)+ (b)-(c)+(-)d
Land					
Buildings and structures					
Transport equipment(MV)	130,558,028				130,558,028
Office equipment, furniture and fittings	11,013,331	-	-		11,013,331
ICT Equipment,	7,389,780				7,389,780
Other Machinery and Equipment					
Heritage and cultural assets					
Biological assets					
Infrastructure assets roads, rails					
Intangible assets					
Work in Progress					
Total	148,961,139				148,961,139

Notes

* Purchases/Additions in the year reconciled to the amount in Statement of Receipts and Payments

** The disposal amount to be disclosed in this register is the cost that the asset was acquired at and not the price at which it has been sold.

ANNEX 4 CONTINGENT LIABILITIES REGISTER

	Nature of contingent liability	Payable to	Currency	Estimated Amount Kshs	Expected date of payment	Remarks
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						

APPENDICES

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations
- iii. Cash Count Certificate
- iv. Special Deposit Account(s) reconciliation statement(s)