

REPUBLIC OF KENYA



Enhancing Accountability

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ON

NATIONAL DROUGHT EMERGENCY FUND

**FOR THE YEAR ENDED
30 JUNE, 2023**



**NATIONAL DROUGHT EMERGENCY FUND (NDEF)
ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED
30TH JUNE 2023**

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

**National Drought Emergency Fund
Annual Report and Financial Statements
for the period ended June 30, 2023.**

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I. Acronyms, Abbreviations and Glossary of Terms

A: Acronyms and Abbreviations

CEO	Chief Executive Officer
DRM	Drought Risk Movement
EDE	Ending Drought Emergencies
EWS	Early Warning system
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
NDMA	National Drought Management Authority
NDEF	National Drought Emergency Fund
NEMA	National Environment Management Authority
NT	National Treasury
OAG	Office of the Auditor General
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
DRM	Drought Risk Management
CCA	Climate Change Adaptation
Rtd.	Retired
Ag.	Acting
CEO	Chief Executive Officer
MKU	Mount Kenya University
UNISA	University of South Africa
UoN	University of Nairobi
FY	Financial Year
MIS	Management Information System
HR	Human Resource
OSHA	Occupational Safety and Health
CSR	Corporate Social Responsibility
Col	Colonel
ICPAK	Institute of Certified Public Accountants -Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management Act
MDAs	Ministries Departments and Agencies
PS	Principal Secretary
ASAL	Arid and Semi-Arid Lands
EDE	Ending Drought Emergencies
DRMC	Drought Risk Management and Coordination
SAGA	Semi-Autonomous Government Agency
EAC	East Africa Community

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B: Glossary of Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the fund

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2. Key Fund Information and Management

(a) Background information

The National Drought Emergency Fund (NDEF) was established under the Public Finance Management (PFM) Act 2012 (NDEF). The operationalizing regulations were gazetted in 2021 paving the way for capitalization. The Fund was established as a financing vehicle for drought risk management in Kenya, and was envisaged to attract a seed capital of KSh 2 billion from the National Treasury. While established as a separate institution, the Fund is managed by the National Drought Management Authority (NDMA), as a measure to minimize operational overheads. The NDMA Board of Directors doubles up as the Fund Board, while NDMA staff support implementation of the Fund activities.

The Fund is domiciled in Kenya with its headquarters and branches coinciding with the NDMA HQ and branches in 23 ASAL Counties, namely: Baringo; Garissa; Isiolo; Mandera; Marsabit; Samburu; Tana River; Turkana; Wajir; Embu (Mbeere); Kajiado; Kilifi; Kitui; Kwale; Laikipia; Lamu; Makeni; Meru (North); Narok; Nyeri (Kieni); Taita Taveta; Tharaka Nithi; and West Pokot. In addition, the Authority has satellite offices in Ijaara, Mwingi and Moyale

(b) Principal Activities

Core Functions

The core function of NDEF is to provide financial resources for implementation of actions for drought risk management and adaptation to climate change. The Fund allocates 50% of its resources for drought resilience and preparedness, 40% for drought response interventions including shock responsive cash transfers, 5% for drought recovery support to drought impacted communities, while 3% supports fund administration. The resilience/preparedness fraction envisages co-financing of projects with partners including county governments, communities and development partners expected to provide at least 30% in matching funds to NDEF contribution to projects. County level coordination of the Fund is done through the gazetted County Drought and Food Security Committee.

Mandate, Vision and Mission

The National Drought Emergency Fund is yet to acquire its own statements on mandate, vision and mission and is therefore implemented within the institutional frameworks of the National Drought Management Authority. These are;

Mandate: The NDMA Act, 2016, mandates the Authority to exercise overall coordination over all matters relating to drought risk management and to establish mechanisms, either on its own or with stakeholders that will end drought emergencies in Kenya.

Vision: To be a world-class Authority in drought risk management and climate change adaptation.

Mission: To provide leadership and coordination of Kenya's efforts in the management of drought risk and adaptation to climate change.

Strategic Objective

To provide readily available objectively triggered resources to support drought risk management and adaptation to climate change.

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(c) Key management of the Fund:

No.	Designation	Name
1.	Chairperson to the Board	Mr. Raphael Nzomo
2.	Chief Executive Officer	Hared Hassan Lt. Col (Rtd)
3.	Head of Finance	Mr. Yussuf Roba Bagaja
4.	Head of Procurement	Mr. Hussein Adan Bilala

(d) Fiduciary Management

The key management personnel who held office during the period ended 30th June 2023 and who had direct fiduciary responsibility were:

No	Designation	Name
1	Chief Executive Officer	Hared Hassan Lt. Col (Rtd)
2	Director Corporate Services	Mr. Hashim Adan Ali
3	Ag. Director Technical Services	Mr. Saiyan Lembara
4	Director Planning, Monitoring and Evaluation	Ms. Stella Kiptoo
5	Head of Finance	Mr. Yussuf Roba Bagaja
6	Head of Procurement	Mr. Hussein Adan Bilala

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(e) Fiduciary Oversight Arrangements

Audit and Risk Committee

This committee ensures that the Fund has sound financial management strategies, policies and systems that promote accountability, prudent use of resources, and compliance with statutory and all regulatory requirements.

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

Advise the CEO and the Board on financial management approaches that enhance internal controls to improve efficiency, transparency and accountability.

Review major audit issues raised by both internal and external auditors.

Periodic reviews of the adequacy of management procedures with regard to issues relating to risk management, control and governance.

- Review special audits/investigations on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency brought to the committee's attention by management and present to the Board for discussion and direction

Finance committee

The Finance Committee ensures that the Fund has sound financial management strategies, policies and systems that promote accountability, prudent use of resources, and compliance with statutory and all regulatory requirements.

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

Review the Fund's annual work plans and associated budgets prepared by management and submit them to the Board for approval.

Ensure that the allocation of resources is aligned to the priority areas identified within the Strategic Plan.

Review quarterly financial reports submitted by management and submit the same to the Board for discussion and adoption.

Provide general direction in the Fund's budgeting matters.

Advise the CEO and the Board on financial management approaches that enhance internal controls to improve efficiency, transparency, and accountability.

Review major audit issues raised by both internal and external auditors.

Periodic review of the adequacy of management procedures with regard to risk management control and governance issues.

Review special audits/investigations on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency brought to the committee's attention by management and present to the Board for discussion and direction.

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(f) Fund Headquarters

National Drought Management Authority
P.O. Box 53547, 00200
Lorrho House
Standard Street
Nairobi, KENYA

(g) Fund Contacts

Telephone: (254) 722 200656
E-mail: info@ndma.go.ke
Website: www.ndma.go.ke

(h) Fund Bankers

NCBA Bank
Harambee Avenue Branch
P.O Box 44599 - 00100
Nairobi, Kenya

Kenya Commercial Bank
KICC Branch
P.O. Box 30081-00100
Nairobi, Kenya

Cooperative Bank
Siakago Branch
P.O Box 193 – 60104
Siakago, Embu

(i) Independent Auditor




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

(j) Principal Legal Adviser

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

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3. The Board of Directors




Ref	Directors	Details
1	 <p data-bbox="327 772 646 801">Mr. Raphael Nzomo, MBS</p>	<p data-bbox="743 443 1465 651">Chairperson to the Board- Non Chairperson to the Board Born on October 18th 1965 Master of Business Administration Bachelor's Degree in Economics Has over 20 years Aviation Sector Experience Reappointment on 13th July 2022</p>
2	 <p data-bbox="300 1211 592 1240">Dr. Benson Longaritom</p>	<p data-bbox="743 853 1417 1133">Independent Board member Born on 1965 Member of finance and Human Resource committees MBA (Entrepreneurship) Bachelor of Veterinary Medicine 20 years of Managing Director of Paves Vetgro Limited Appointed on October 21, 2019 Contract ended on October 21, 2022</p>
3	 <p data-bbox="327 1630 544 1659">Mr. Micah Powon</p>	<p data-bbox="743 1294 1481 1429">Board Member - Permanent Secretary State Department for Development of the Arid and Semi-Arid Lands Member of Finance and Technical committees MSc. in Horticulture</p>

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4	 <p>Robert Kiteme</p>	<p>Board Member - representing the Council of Governors Born on 1988 BSc. in Agriculture (Agricultural Economics Major) Chairperson - Audit & Risk Management Committee 6 years Council of Governors employee Appointed on July 31, 2017</p>
5.	 <p>Dr. Mary Lonyangapuo</p>	<p>Board Member Born on 1968 PHD Department of literature, Linguistics and languages Master's Linguistics Senior Lecturer 12 years Appointed on June 03 2023</p>
6	 <p>David Mutuku Malonza</p>	<p>Board Member representing treasury Born 1976 Bachelor's degree in Arts, Social sciences Senior assistant secretary National Treasury 7 Years</p>
	 <p>Hared Hassan Lt. Col (Rtd)</p>	<p>Chief Executive Officer and Secretary to the Board Born on January 1966 Masters' Degree in Strategic Security Studies Masters' Degree in International Conflict Management Masters' Degree in Military Arts and Science Bachelor of Arts Degree in Political Science Appointed on February 14 2022</p>

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4. Key Management Team

	Management	Details
1.	 Hared Hassan Lt. Col (Rtd)	Chief Executive Officer and Secretary to the Board Masters' Degree in Strategic Security Studies Masters' Degree in International Conflict Management Masters' Degree in Military Arts and Science Bachelor of Arts Degree in Political Science Appointed on February 14 2022
2.	 Mr. Hashim Ali	Director, Corporate Services MBA, Strategic Management Certified Public Accountant MNo. 2980 Certified Internal Auditor Certifies Information Systems Auditor (CISA) Certified Data Privacy Solution Engineer
3	 Mr. Saiyana Lembara	Ag, Director, Technical Services MA Environmental Planning and Management BSc Agriculture Certificate Forestry




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4	 <p>Ms. Stella Kiptoo</p>	<p>Director, Planning Monitoring & Evaluation Bachelor of Arts and social Science Master's in Business Administration Master of Arts in Economics</p>
5	 <p>Mr. Yussuf Bagaja</p>	<p>Deputy Director, Finance and Accounts MBA Finance Option Bachelor of Commerce Certified Public Accountant MNo. 8335</p>
6	 <p>Mr. Paul Obunde</p>	<p>Deputy Director, Planning, Monitoring and Evaluation MSc Environmental Economics & Environmental Management Post Graduate Diploma Environmental Economics & Environmental Management, BA Economics</p>


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7	 <p>Mr. Hussein Bilala</p>	<p>Deputy Director, Supply Chain MSc Supply Chain & Logistics BSc Business Administration Advanced Diploma - CIPS</p>
8	 <p>Mr. Martin Kiveu</p>	<p>Deputy Director, Internal Audit BSc International Business Administration Certified Public Accountant MNo.4221</p>
9	 <p>Eng. Hussein Jirma</p>	<p>Deputy Director, Drought Resilience MSc Water and Environmental Management BSc Civil Engineering</p>

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10	 <p>Mr. George Kimunguyi</p>	<p>Deputy Director, ICT MSc Information Technology BSc Applied Statistics Cisco Certified Certified Information Systems Auditor(CISA) Certified Data Privacy Solution Engineer</p>
11	 <p>Mr. Patrick Musichi</p>	<p>Deputy Director, Human Resource & Administration Bachelor of Arts, Sociology Higher Diploma in Human Resource</p>
12	 <p>Mr. Amos Omar Nyakeyo</p>	<p>Ag, Deputy Director Drought Contingency Planning and response Msc. Horticulture BSC. Horticulture Diploma in Horticulture Certificate in General Agriculture</p>

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13	 <p>Mr. Nelson Mutanda</p>	<p>Ag. Deputy Director Information Masters in Development Studies(MKU) Degree in Computing (UNISA) Degree in Economics and Statistics (UoN)</p>
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5. Chairman's Statement



Mr. Raphael Nzomo, MBS

On behalf of the Board of Directors for the National Drought Management Authority, which also doubles up as the Board of the National Drought Emergency Fund (NDEF), it is my pleasure to present the Annual NDEF Report and Financial Statement for 2022/2023 financial year. It is a year when the drought that was viewed as the worst in over four decades reached its peak, with the number of people facing acute food insecurity and requiring food assistance reaching a high of 4.9 million. This notwithstanding, the impact in terms of loss of livelihoods and more so livestock was comparatively lower than previous droughts.

The reporting period represents the watershed year for the operationalization of the NDEF. The county coordination structures for the Fund were set up after gazettment of the County Drought and Food Security Committees in all the 23 ASAL counties, appointment of committee members and their sensitization and training on NDEF and its business process. This

enabled quick deployment of NDEF funds in drought affected counties for drought response activities and support for drought recovery. The year also saw the development and rollout of the webbased management information system for NDEF that allowed online funding requests, processing and approval of disbursements for drought response and recovery activities.

Deployment of NDEF for drought preparedness and resilience building projects awaits the processing of prioritized proposals through the prescribed process tied to the national budgeting cycle. The process culminates with the publication of successful projects by the Board in March, in readiness for mainstreaming into the work plans and budgets for subsequent financial years.

It gives me pleasure that NDEF was successfully operationalized, and in a severe drought setting. During the operationalization, NDMA adequately demonstrated the existing management and operational capacity to our stakeholders as evidenced by the interest expressed by a number of development partners.

During the year, the Authority deployed NDEF resources in drought affected ASAL counties, with a total of KSh 52 million used for drought response and recovery activities. The activities supported include supplementary drought feeding of livestock, water trucking, fuel subsidy for water pumping sets, repair and rehabilitation of water facilities, desilting of water pans and earth dams, and support for livelihoods recovery. The counties supported included Mandera, Marsabit, Turkana, Wajir, Isiolo, Samburu, Baringo, Laikipia, Nyeri, Kitui and Tana River. The NDEF support contributed to reduction of drought impacts and losses for beneficiary communities, becoming a

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useful complement to the existing NDMA operated drought risk management resource envelopes. The drought preparedness and resilience fraction of NDEF will be deployed as soon as the provisions of the Fund Regulations are satisfied.

Noting the resource constraints, the Authority will continue to explore opportunities and partnerships to attract funding into the NDEF kitty. It's also hoped that the National Treasury will adequately fund NDEF at the level of KSh 2 billion per year, as envisaged in the establishing legislation and regulations. The Authority will lobby the National Treasury appropriately, even as efforts continue to popularize NDEF among ASAL stakeholders and development partners as a common basket for drought risk management financing. It's only with adequate resourcing that transformative and impactful investments will be delivered, that will substantially enhance drought and climate resilience in the ASALs.

The Authority faced a number of challenges with regard to the rollout of NDEF. The low capitalization translates a very constraining budget, inadequate to finance all relevant administrative needs. The 2022 political transition delayed the set of coordination committees, in turn delaying the deployment

of NDEF funds for drought response. Also, delayed set-up of county committees led to potential fundable drought preparedness and resilience projects to miss critical processing timelines making it impossible to fund projects during the reporting period. The total budget of KSh 463.3 million available through NDEF remained low and inadequate in the face of the worst drought in four decades. The Fund is currently administered by a lean NDMA Headquarters human resource, an additional workload on the officers involved.

The Authority will during the next financial year endeavor to address these challenges through regular engagements with the National Treasury and development partners. The Authority will prioritize mobilization of resources and partnerships, while harnessing digitization and innovations in delivery of NDEF aspirations in drought risk management and adaptation to climate change. The Authority will collaborate with state and non-state actors to review the Fund Regulations and the coordination structures to ease contribution and participation of development partners in resourcing NDEF and co-financing of drought risk reduction investments.



**Mr. Raphael Nzomo, MBS
Chairperson to the Board**

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**6. Report of the Chief executive
Officer**



During the reporting period, the country continued to face the worst drought in over four decades. The drought reached its peak, with the number of people facing acute food insecurity and requiring food assistance reaching a high of 4.9 million. An estimated 2.6 million livestock mortalities were recorded as a result of the drought. There was also increased malnutrition across the ASALs, with about 970,214 children below five years and 142,179 pregnant or lactating women requiring treatment for acute malnutrition. This was a period that had a high demand for resources to support drought response and recovery initiatives. The operationalization of the National Drought Emergency Fund (NDEF) during the year was a welcome complement to the drought risk management efforts. While the losses witnessed during the drought were lower than in recent droughts, the NDEF kitty came in handy as a new facility that also made a contribution towards lowering drought risk.

The 2022/2023 financial year started with a rollover of KSh 200 million released into the NDEF kitty at the close of the preceding

financial year. The Fund was also allocated a further KSh 500 million in the FY 2022/2023 budget, raising the total in the kitty to KSh 700 million, although the budget realignments saw the amount reduced to KSh 525 million. However, only KSh 250 million was eventually disbursed during FY 2022/2023, KSh 125 million in Quarter Two, and a similar amount at the tail end of Quarter Four. As such, it's KSh 325 million that was effectively available for utilization on drought risk management during the reporting period.

During the year, thirty (30) national stakeholders were sensitized on NDEF, 690 members of county drought and food security committee members were sensitized and trained on NDEF and its business process. The web-based NDEF MIS was developed and deployed in the Fund's business process for county funding requests, processing and approval of disbursements. Of the KSh 325 million available in the NDEF kitty, 40% (KSh 130 million) was earmarked for drought response and the 5% (KSh 16.25 million) for drought recovery during the reporting period. Under drought response interventions, KSh 70 million was used to provide livestock feeds (drought pellets) for supplementary feeding in Marsabit, Mandera, Wajir, Isiolo, Samburu and Turkana Counties. A further KSh 43 million was used to support water interventions including water trucking, fuel subsidy for water pumping, and repairs/rehabilitation for strategic water facilities. On drought recovery, KSh 15 million was used to support desilting of water pans in Baringo, Mandera and Samburu, and support for livelihoods recovery in Baringo, Samburu, Laikipia and Nyeri counties.

The NDEF business process has been modelled on the successful NDCF MIS. The

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administration of the Fund takes advantage of preceding lessons and good practices from NDCF resulting in a smooth rollout, with requests for response and recovery funding being successively processed through the NDEF MIS, within turnaround times comparable to NDCF MIS processes. Further system improvements will be made to maintain short response lead times through prompt processing and approval of requests.

A number of challenges were encountered during the rollout and operation of NDEF. The total of KSh 450 million that has been availed to NDEF from National Treasury during both FY 2021/2022 and FY 2022/2023 remains way below the KSh 2 billion per year envisaged in the law establishing NDEF and the Fund Regulations. This limits what the Fund can do, considering the huge resilience capacity gaps in the ASALs, and the worsening drought risk exacerbated by impacts of climate change on the delicate ASAL ecosystems. The 2022 political season affected the setting up of coordination structures across the ASAL counties, delaying deployment of NDEF for drought

response. This also resulted in delayed processing of drought preparedness and resilience projects, missing critical budgeting timelines. The Fund administration remains undermanned at NDMA Headquarters considering the additional workload on the officers.

During the next financial year, the Authority will work to address these challenges through engagements with relevant stakeholders. There will be active engagements with the National Treasury and development partners to explore funding strategies for NDEF to boost the kitty. The Authority will prioritize mobilization of resources and partnerships, while harnessing technology and innovations geared towards realization of the Fund goal and objectives of significantly contributing to drought risk reduction and adaptation to climate change. The Authority will seek collaboration with state and non-state actors to create suitable modalities for funding and coordination of NDEF, including mechanisms for co-financing of drought risk reduction investments



**Hared Hassan Lt. Col (Rtd)
Chief Executive Officer**

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7. Statement of Performance against Predetermined Objectives for the period

NDMA has strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2022/2023-I. These strategic Objectives are as follows:

Strategic Objective 1: To strengthen institutional and community resilience to drought risk and climate change.

Strategic Objective 2: To provide drought and climate information to facilitate concerted actions by relevant stakeholders.

Strategic Objective 3: To protect livelihoods of vulnerable households and community systems to cope and recover from drought shocks.

Strategic Objective 4: To ensure coordinated action on drought risk management by government and other stakeholders.

Strategic Objective 5: To enhance resource mobilization and partnerships for drought risk management and climate change adaptation at county, national, regional and global levels.

Strategic Objective 6: To strengthen planning, performance management and knowledge management (for DRM and CCA).

Strategic Objective 7: To strengthen NDMA institutional capacity to provide leadership in drought risk management at national and county levels.

NDMA develops its annual work plans based on the above seven (7) Strategic Objectives.

Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The NDMA achieved its performance targets set for the FY 2022/23 period for its 7 strategic pillars, as indicated in the table below:

Strategic Objective	Strategy	Key Performance Indicators	Activities	Achievements
SO3: To protect livelihoods of vulnerable households and community systems to cope and recover from drought shocks	Establish and strengthen systems to operationalize and manage NDEF	County Drought and Food Security Committees sensitized in 23 ASAL Counties	Sensitization of county drought and food security committee members in 23 ASAL counties	County drought and food security committee members in 23 ASAL counties sensitized between December 2022 and March 2023.
	Support drought response and recovery activities	Number of Drought Response and Recovery activities implemented	Support for provision of drought pellets for livestock supplementary feeding in Turkana, Isiolo, Kajiado,	Approx. 60,000 TLUs were saved, benefitting 47,000 households in the ASAL counties worst affected by drought

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			Samburu, Marsabit, Laikipia, Mandera and Wajir counties	
			Water interventions (repair of boreholes, fuel subsidy and water trucking) targeting vulnerable communities in Marsabit, Garissa, Isiolo, Laikipia, Wajir, Mandera, and Samburu	24,000 households (Approx. 125,000 persons) were reached with water interventions.
			Support relocation of passive pastoralists to return to accessible settlement areas after losing all their animals to drought in North Horr and Laisamis subcounties, Marsabit.	463 households in North Horr and Laisamis subcounties, Marsabit were transported back to usual settlements
			Supported small stock restocking for vulnerable households in Samburu, Kajiado, and Marsabit	Distribution of 850 goats targeting the most vulnerable wards in the counties of Samburu and Kajiado. distribution of improved 1,400 indigenous chicken Nyeri and Laikipia counties to enhance

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				households' incomes.
			Desilting of water pans	A total of 3 water pans desilted in Mandera, Samburu, and Baringo.

8. Corporate Governance Statement

The Fund's corporate governance is guided by the provisions of Mwongozo Code of Governance for State Corporations on transparency and disclosure. The Financial Year 2022/2023 annual report covers the following governance aspects in line with the Authority's mandate;

Role of the Board of Directors

The Board of Directors is responsible for the governance of the Fund to ensure compliance with the law and best practices and certifying them as confirmed in the presented financial statements. The Board is accountable to the Ministry of East African Community, The ASALs and Regional Development.

The Board ensures integrity and professionalism in the conduct of the business and operations of the Fund in line with international corporate standards. The Board's responsibilities are articulated in the Authority's Board Charter and the NDMA Act, 2016. These include:

Formulate policies to achieve its mandate.

Provide strategic direction, leadership, and oversight to the Secretariat.

Undertake such activities as may be necessary for the discharge of its functions and the exercise of its powers.

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Board Committees

The Authority has four Board committees namely;

1. Technical and Strategy
2. Human Resources and Corporate Services
3. Finance and Resource Mobilization
4. Audit and Risk Management

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

Committee membership

The following was the Board committee membership during the reporting period;

<p>1) Human Resources and Corporate Services Dr. Mary Lonyangapuo – Chairperson Mr. Koome Kiragu – Member Mr. Robert Kiteme – Member</p>	<p>2) Technical and Strategy committee Mr. Koome Kiragu – Chairperson Principal Secretary, ASALs- Member Mr. David Malonza – Member</p>
<p>3) Finance and Resource Mobilization Dr. Mary Lonyangapuo – Chairperson Mr. David Malonza – Member Principal Secretary, ASALs – Member</p>	<p>4) Audit and Risk Management Mr. Robert Kiteme - Chairperson Mr. Gibert Tenai – Member Mr. Koome Kiragu – Member</p>

Human Resources Committee

This committee ensures that the Fund has sound human resource strategies that enable it to attract, develop, motivate, and retain the right calibre of staff.

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

Periodic review and advice to the main Board on appropriate human resource strategies, policies and procedures.

Advise the Board and guide the process on staff recruitment, manpower planning and related budgets.

Advise the Board on any reviews required to enhance the effectiveness of manpower development and staff training.

Advise the Board on reviews which may be necessary to make the organizational structure, appraisal system, grading system, and salary structures more relevant and effective.

Review proposals and advice the Board on staff benefit schemes including medical, retirement benefits, and insurance schemes, among others.

Technical Committee

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

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The overall performance of the Fund.

Strategic documents guiding the work of the Fund, including its strategic plan, work plan, budget, and performance contract.

Identification, development and implementation of strategic initiatives, programmes and projects, and resource mobilization.

Technical issues concerning the drought status, including early warning information, food security assessments, and response.

Measures to enhance the visibility and accountability of the Fund.

Periodic reviews to evaluate the progress and impact of the Fund.

Finance Committee

The Finance Committee ensures that the Fund has sound financial management strategies, policies and systems that promote accountability, prudent use of resources, and compliance with statutory and all regulatory requirements. The committee has the following duties and responsibilities as directed by the Board:

Review the Fund's annual work plans and associated budgets prepared by management and submit them to the Board for approval.

Ensure that the allocation of resources is aligned to the priority areas identified within the Strategic Plan.

Review quarterly financial reports submitted by management and submit the same to the Board for discussion and adoption.

Provide general direction in the Fund's budgeting matters.

Advise the CEO and the Board on financial management approaches that enhance internal controls to improve efficiency, transparency, and accountability.

Review major audit issues raised by both internal and external auditors.

Periodic review of the adequacy of management procedures with regard to risk management control and governance issues.

Review special audits/ investigations on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency brought to the committee's attention by management and present to the Board for discussion and direction.

Audit and Risk Management Committee

The committee ensures that the Fund has sound financial management strategies, policies and systems that promote accountability, prudent use of resources, and compliance with statutory and all regulatory requirements. The committee has the following duties and responsibilities, as well as any other duties and responsibilities it deems appropriate to carry out its purposes or as directed by the Board:

Advise the CEO and the Board on financial management approaches that enhance internal controls to improve efficiency, transparency and accountability.

Review major audit issues raised by both internal and external auditors.

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Periodic reviews of the adequacy of management procedures with regard to issues relating to risk management, control and governance.

Review special audits/investigations on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency brought to the committee's attention by management and present to the Board for discussion and direction.

Board Meetings

The Board and its committees met as follows during the period under review;

Committee/Board	No. of meetings
1. Technical Committee	4
2. Human Resources	4
3. Finance committee	4
4. Audit and Risk Management Committee	4
5. Full Board	4

The calendar of the meetings is circulated at the beginning of the financial year while invitations to Board meetings are sent out two weeks in advance.

Board Communication with Stakeholders

The Board ensures effective communication and engagement with stakeholders through timely and transparent disclosure of pertinent information on the Fund's operations and performance.

Board internal communication is as follows;

Communication level	Channels/tools
From the Board	Board communicates policy matters to staff by way of memos and emails through the office of the CEO
Management to the Board	Management submits Board papers and reports two weeks in advance of Board meetings

On external communication, the Board ensures provision of transparent and timely information to the public and key stakeholders as obligated under the Access to Information Act. Policy matters to the wider public are communicated by the Board and the CEO.

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9. Management Discussion and analysis

The Fund rolled over KSh 200 million of NDEF funds received at the tail end of FY 2021/2022, into FY2022/2023. A further KSh 500 million was allocated in the 2022/2023 budget. However, Only KSh 325 million was available for deployment during the reporting period. This was much lower than the expected KSh 2 billion per year. This level of capitalization constrained the ability of the Fund to support its administrative costs, response and recovery activities. Based on apportioning as per the prescribed fractions in the Regulations, 40% of these funds were available for drought response, 5% for drought recovery support, 50% for resilience and preparedness while 3% was available for administrative costs. This distribution of the allocation of funds available limited drought response to KSh 130 million, recovery KSh 16.25 million, KSh 9.75 million for administrative costs, and KSh 162.5 million for resilience and preparedness.

Using NDEF and other resources, training of the 23 County Drought and Food Security Committees was done in ASAL counties, KSh 113 million was used for drought response including KSh 70 million for livestock feeds interventions and KSh 43 million for water response activities. A further KSh 15 million for drought recovery to support desilting of water pans in Mandera, Baringo and Samburu and restocking with small-stock in Samburu. Sensitization trainings for County Drought and Food Security Committees in ASAL counties absorbed the entire KSh 9.75 million available for administrative costs, and some more resources from other sources. It is worth noting that the resource requirement during the year was a lot higher considering the prevailing drought situation that required financing for drought response and recovery support.

The low capitalization of NDEF made the Fund unattractive for resource injections from development partners, as a reflection of low Government commitment for the institution. The Fund Regulations governing identification and financing of resilience projects made it difficult for resilience projects to be funded, as the political transition delayed establishment of county committees, to the extent that key regulated timelines were missed. As such, the resource fraction for resilience and preparedness remained unutilized during the reporting period

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10. Environmental and Sustainability Reporting

i) Sustainability strategy and profile

The Fund lays emphasis on sustainability of services and investments it makes. In this respect, it has adopted partnership, participation and capacity building to ensure beneficiaries are in a position to plan, implement and sustain our interventions beyond the project period. Besides ensuring that all macro and micro-projects are co-financed by the beneficiaries and county Governments, the Fund ensures that the project management committees or teams are well trained and systems put in place to ensure they fully take over management of the projects.

ii) Environmental performance

The Fund complies with environmental laws in the implementation of resilience projects. For projects such as dams, environmental impact assessments are conducted and approved by the National Environment Management Authority (NEMA) to ensure that the interventions are environmentally friendly. In addition, the Authority which the fund is managed under also undertook to offset negative environmental impact by participating in planting tree exercises, or donating to related causes where possible.

iii) Employee welfare

The National Drought Emergency Fund is managed currently by the staff of NDMA and is therefore implemented within the institutional frameworks and policies of the National Drought Management Authority.

The NDMA's Human Resource Policy and Procedures Manual Section one 1.1 and 1.6 and Section two 2.1:2.1.1; The Authority is an equal opportunity employer and shall not in its recruitment and staff selection discriminate on the basis of gender, race, religion, ethnicity or any other form of discrimination. The constitutional requirement on mainstreaming of gender and people with disabilities will be observed alongside any policies issued by the National Cohesion and Integration Commission. Section 8 on Performance Management and Section 10 on Training and Development in the HR Manual and the Career guidelines supports managing of careers, improving skills, appraisals and reward systems in the Authority. The Authority trained a total of 171 staff members and promoted 18 staff members during the reporting period. The Authority's policy on Safety and compliance with Occupational Safety and Health Act of 2007(OSHA) refers in the Human Resource and Procedures Manual Section 12 on Safety and Health.

iv) Corporate Social Responsibility / Community Engagements

The Fund as currently managed by the Authority falls under the NDMA Corporate Social Responsibility framework.

As a responsible corporate citizen, the NDMA invests in and implements corporate social responsibility (CSR) activities that complement its work. The Board ensures that the Authority has a workable budget that's allocated CSR as provided for in the Mwongozo Code of Governance for State Corporations. The CSR activities are aimed at increasing awareness of and improving the Authority's public image as a responsible corporate citizen. The Authority's CSR approach strives to strike a balance between accountability, environmental and social imperatives while at the same time addressing the expectations of stakeholders.

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During the reporting period, NDMA's contribution to CSR was reflected in how the Authority applied principles regarding handling of its stakeholders. This was done by;

Committing to the law

Minimizing negative impacts of interventions

Applying transparency and accountability in its operations

Respecting customer feedback and processes

Seeking and supporting vulnerable communities

Applying participatory approaches

Applying interactive and not just "transactive" communication with communities recognizing the importance of local knowledge.

**National Drought Emergency Fund
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11. Report of the Directors

The Directors submit their report together with the audited financial statements for the period ended June 30, 2023, which show the state of the Fund's affairs.

Principal activities

The principal activities of the Fund are as per the NDEF Regulations 2021, i.e. Public Finance Management (National Drought Emergency Fund) Regulations, 2021.

Results

The results of the Fund for the period ended June 30, 2023, are set out on pages 1 to 29.

iii) Directors

The members of the Board of Directors who served during the year are shown on page viii & ix. During the year 2023 directors who retired/ resigned/ appointed are as indicated in page viii & ix)

v) Auditors

The Auditor-General is responsible for the statutory audit of National Drought Emergency Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015



.....
Name: Hared Hassan Lt. Col (Rtd)
Secretary to the Board

**National Drought Emergency Fund
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12. Statement of Directors Responsibilities

Section 81 of the Public Finance Management Act, 2012 and NDEF Regulations 2021, require the Directors to prepare financial statements in respect of that Fund, which give a true and fair view of the state of affairs of the Fund at the end of the financial year/period and the operating results of the Fund for that year/period. The Directors are also required to ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund. The Directors are also responsible for safeguarding the assets of the Fund.

National Drought Management Authority Directors are responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Fund; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting ended June 30, 2023, and of the Fund's financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern and nothing has come to the attention of the Directors to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

The Fund's financial statements were approved by the Board on 26.09. 2023 and signed on its behalf by:

.....
Name: Hared Hassan Lt. Col (Rtd)
Accounting Officer

Date

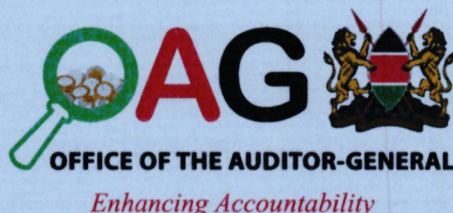
.....
Name: Mr. Raphael Nzomo, MBS
Chairman of the Board

Date

30/10/23

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 NATIONAL DROUGHT EMERGENCY FUND FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment, and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of National Drought Emergency Fund (NDEF) set out on pages 1 to 30, which comprise of the statement of financial position as at 30 June, 2023 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget

and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of National Drought Emergency Fund as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the National Drought Management Authority Act, 2016.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in my professional 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.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed, except for the matter described in the Basis for Conclusion, 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

Seed Capital

During the year under review, the Fund received a cumulative amount of Kshs.463,300,000 against a seed capital of two (2) billion shillings provided for in Regulation 4(1) of the National Drought Emergency Fund Regulations, 2021 which requires the initial capital of the Fund to be two (2) billion shillings appropriated by Parliament.

In the circumstances, the delayed release of the seed capital may affect the optimal implementation of the envisaged drought risk management actions.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 comply, 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of the Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as the 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 controls, risk management and overall governance.

In preparing the financial statements, the Management is responsible for assessing the Fund's ability to continue to sustain services disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, the Management is also responsible for ensuring that the

activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how Management 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 controls 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 controls would not necessarily disclose all matters in the internal controls 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 controls 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 controls.
- 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 applicable 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 Project's ability to continue 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 Project to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

08 November, 2023

**National Drought Emergency Fund
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14. Statement of Financial Performance for the period ended 30 June 2023

	Notes	2022-2023
		Kshs
Revenue from non-exchange transactions		
Transfers from other governments	6	463,300,000
Total Revenue from non-exchange transactions		463,300,000
Revenue from exchange transactions		
Other income	7	10,724,344
Total Revenue from non-exchange transactions		10,724,344
Total Revenue		474,024,344
Expenses		
Grants and subsidies	8	60,897,360
Finance costs	9	118,867
Total Expenses		61,016,226
Surplus for the period		413,008,118

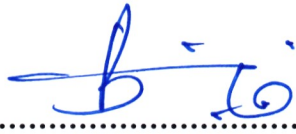
The notes set out on pages 7 to 29 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:


.....

Name: Hared Hassan Lt. Col
(Rtd)

Accounting Officer

Date 30/10/2023


.....

Name: Yussuf Roba Bagaja

Head of Finance

ICPAK M/No:8335

Date 30.10.23


.....

Name: Mr. Raphael Nzomo,
MBS

Chairman of the Board

Date 30/10/23

**National Drought Emergency Fund
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15. Statement of Financial Position as at 30 June 2023

	Notes	2022-2023
		Kshs
Assets		Kshs
Current assets		
Cash and cash equivalents	10	408,022,152
Receivables and prepayments	11	13,980,000
Total current assets		422,002,152
Non-current assets		
Intangible Assets	12	108,800
Total non-current assets		108,800
Total assets		422,110,952
Liabilities		
Current liabilities		
General Provisions	13	9,102,834
Total Liabilities		9,102,834
Net assets		413,008,118
Financed By		
Capital fund		-
General Reserve		413,008,118
Total net assets and liabilities		413,008,118

The financial statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:


.....

Name: Hared Hassan Lt. Col
(Rtd)

Accounting Officer

Date


.....

Name: Yussuf Roba Bagaja

Head of Finance

ICPAK M/No:8335

Date 30-10-23


.....

Name: Mr. Raphael Nzomo,
MBS

Chairman of the Board

Date 30/10/23

**National Drought Emergency Fund
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16. Statement of Changes in Net Assets for the period ended 30 June 2023

Description	Capital fund	General Reserves	Revaluation Reserve	Total
	Kshs	Kshs		Kshs
Balance as at July 01, 2022	-	-	-	-
Transfers to/from accumulated surplus	-	413,008,118	-	413,008,118
Balance as at June 30, 2023	-	413,008,118	-	413,008,118

**National Drought Emergency Fund
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17. Statement of Cash Flows for the period ended 30 June 2023

	2022-2023	
	Notes	Kshs
Cash flows from operating activities		
Receipts		
Transfers from other governments	6	463,300,000
Other income	7	10,724,344
Total Receipts		474,024,344
Payments		
Grants and subsidies	8	60,897,360
Finance costs	9	118,867
Total Expenses		61,016,226
Net cash flows from/(used in) operating activities		413,008,118
Cash flows from other operating activities		
Increase/decrease in receivables-non exchange	11	-13,980,000
Increase/decrease in trade and other payables	13	9,102,834
Total cash flow from other operating expenses		-4,877,166
Cash flows from investing activities		
Intangible Assets	12	-108,800
Net Cash flows from investing activities		-108,800
Increase / (decrease) in cash and cash equivalents		408,022,151
Cash and cash equivalents at June 30, 2023	10	408,022,151

National Drought Emergency Fund
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18. Statement of Comparison of Budget and Actual amounts for the period ended 30 June 2023

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs a	Kshs b	Kshs C=(a+b)	Kshs d	Kshs e=(c-d)	f=d/c*100
Revenue						
Transfer from government entities	700,000,000	(236,700,000)	463,300,000	463,300,000	-	100%
Others (Miscellaneous and extra incomes)	-	-	10,724,344	10,724,344	-	100%
Total income	700,000,000		474,024,344	474,024,344	-	
NDEF Expenses						
Resilience & Preparedness	350,000,000	(118,350,000.00)	231,650,000	654,600	230,995,400	0%
Response Interventions	280,000,000	(94,680,000.00)	185,320,000	51,816,153	133,503,847	28%
Recovery from Impacts of Drought	35,000,000	(11,835,000.00)	23,165,000	518,200	22,646,800	2%
Administrative Costs	29,500,000	(11,835,000.00)	17,665,000	7,908,407	9,756,593	45%
Other	4,000,000	-	4,000,000	-	-	0%
Finance Costs	1,500,000	-	1,500,000	118,867	1,381,133	8%
Total Expenditure	700,000,000	-	463,300,000	61,016,226		
Surplus for the period				413,008,118		

Budget notes

1. Difference in revenue received between original and final budget was due to budget cuts during the period under supplementary budget and delayed fund seed money disbursement of Ksh. 200 Million received on 21st June 2022
2. The 2022 political transition delayed the set of coordination committees, in turn delaying the deployment of NDEF funds for Drought Response and preparedness hence, the minimal utilization 1. Provide below a commentary on significant underutilization (below 90% of utilization) and any overutilization (IPSAS 24.14)

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19. Notes to the Financial Statements

1. General Information

National Drought Emergency Fund is established by and derives its authority and accountability from the Public Finance Management (National Drought Emergency Fund) Regulations, 2021. The Fund is wholly owned by the Government of Kenya and is domiciled in Kenya. The Regulations are meant to guide the operations of the National Drought Emergency Fund which is to be established for the purpose of improving the effectiveness and efficiency of drought risk management systems in the country as well as to provide a common basket of emergency funds for drought risk management.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Fund. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

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Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

- i. New and amended standards and interpretations in issue effective in the period ended 30 June 2023.

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.

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Standard	Effective date and impact:
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued. d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • IPSAS 22 Disclosure of Financial Information about the General Government Sector. Amendments to refer to the latest System of National Accounts (SNA 2008). • IPSAS 39: Employee Benefits. Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement. Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.

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Notes to the Financial Statements (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the period ended 30 June 2023.

Standard	Effective date and impact:
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and Cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p>Applicable 1st January 2025</p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

iii. Early adoption of standards

The Entity did not early – adopt any new or amended standards in the period or the entity adopted the following standards early.

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Notes to the financial statements (continued)

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Fund and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

Interest income

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

b) Budget information

The original budget for the Current period was approved by the National Assembly on 21st June, 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Fund upon receiving the respective approvals in order to conclude the final budget.

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**Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)**

Budget information (continued)

The Fund's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under note 18 of these financial statements.

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

d) Intangible assets

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

e) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Fund does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Fund's financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the Fund measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

a) Financial assets

Classification of financial assets

The Fund classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

b) Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

f) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement. During the year under review, no provisions were made in relation to the Fund.

g) Contingent liabilities

The Fund 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.

h) Contingent assets

The Fund 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 Fund in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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.

i) Nature and purpose of reserves

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

j) Changes in accounting policies and estimates

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

k) Foreign currency transactions

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

l) Related parties

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

m) Service concession arrangements

The Fund analyses all aspects of service concession arrangements that it enters in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Fund recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Fund also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

n) 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.

o) Comparative figures

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

p) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the period ended June 30, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

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

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period, are described below. The Fund based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual value

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

- a) The condition of the asset based on the assessment of experts employed by the Fund.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

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Notes to the Financial Statements (Continued)

6. Transfers from Other Government entities

Description	2022-2023
	KShs
Conditional grants-Government Grants	KShs
NDEF	463,300,000
Total government grants and subsidies	463,300,000

b) Transfers from Ministries, Departments and Agencies (MDAs)

Name of The Entity Sending The Grant	Amount recognized to Statement of Financial performance.	Amount receivable as income.	Amount recognised in capital fund.	Total transfers 2022 - 2023
	KShs	KShs	KShs	KShs
State Department for Development of the ASAL	450,000,000	13,300,000	463,300,000	463,300,000
Total	450,000,000	13,300,000	463,300,000	463,300,000

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Notes to the Financial Statements (Continued)

7. Other Income

Description	2022-2023
	Kshs
Premiums from bank balances	10,724,244
Miscellaneous income – Meru Office	100
Total Other income	10,724,344

8. Grants and Subsidies

Description	2022-2023
	Kshs
Resilience & Preparedness	654,600
Response Interventions	51,816,153
Recovery from Impacts of Drought	518,200
Administrative costs	7,908,407
Total Grants and Subsidies	60,897,360

9. Finance Costs

Description	2022-2023
	Kshs
Bank Service Commission	118,867
Total finance costs	118,867

10. Cash and Cash Equivalents

Description	2022-2023
	Kshs
National Drought Emergency Fund 2144470163	397,761,168
NDMA County Balances	10,260,983
Total Cash And Cash Equivalents	408,022,151

Detailed Analysis of the Cash and Cash Equivalents

Financial Institution	Account number	2022-2023
		Kshs
a) Current Account		
NCBA Bank	2144470163	397,761,168

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Financial Institution	Account number	2022-2023
		Kshs
KCB Bank	22 Bank accounts	10,254,856
Cooperative Bank	01141570503500	6,127
Grand Total		408,022,151

Reconciliation for Impairment Allowance on Receivables from Non-Exchange Transactions

11. Receivables from Non-Exchange Transactions

Description	2022-2023	
	Kshs	
NDMA -Staff Debtors (Imprest)		-
PS ASAL		13,300,000.00
EDE DRMC		680,000.00
Total receivables from non- exchange transactions		13,980,000
Ageing Analysis- Receivables from non-exchange transactions	Current FY	% of the total
Less than 1 year	13,980,000	100%
Between 1-2 years	-	%
Over 3 years	-	%
Total	13,980,000	%

Description	2022-2023
	Kshs
At the beginning of the period	-
Additional provisions during the period	13,980,000
At the end of the period	13,980,000

12. Intangible Assets

Description	2022-2023
	Kshs
Cost	
At beginning of the period	-
Additions	108,800
At end of the period	108,800
NBV	108,800

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Notes to the Financial Statements (Continued)

13. Current Provisions

Description	General provision	Bonus provision	Gratuity Provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance b/f	-	-	-	-
Additional provisions	9,102,834	-	-	9,102,834
Total provisions period end	9,102,834	-	-	9,102,834

14. Cash Generated from Operations

Description	2022-2023
	Kshs
Surplus for the year before tax	413,008,118
Adjusted for:	
Grants and subsidies	60,897,360
Conditional Government grants	(474,024,344)
Finance cost	118,867
Working capital adjustments	
Increase in receivables	13,980,000
Increase in payables	(9,102,834)
Net cash flow from operating activities	4,877,167

15. Financial Risk Management

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund therefore does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The Fund's financial risk management objectives and policies are detailed below:

i) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with

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Notes to the Financial Statements (Continued)

banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Fund's management based on prior experience and their assessment of the current economic environment.

Financial Risk Management

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
As at 30th June 2023				
Receivables from non-exchange transactions	13,980,000	13,980,000	-	-
Bank balances	408,022,152	408,022,152	-	-
Total	422,002,152	422,002,152	-	-

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Notes to the Financial Statements (Continued)

Financial Risk Management

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for any uncollectible amounts that the Fund has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The board of directors sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30th June 2023				
Provisions	-	-	9,102,834	9,102,834
Total	-	-	9,102,834	9,102,834

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Notes to the Financial Statements (Continued)

Financial Risk Management

iii) Market risk

The Fund has put in place an internal audit function to assist it in assessing the risk faced by the Fund on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Fund's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Fund's secretariat team is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

a) Foreign currency risk

The Fund could have transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The Fund manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

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Notes to The Financial Statements (Continued)

b) Interest rate risk

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

Management of interest rate risk

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

Financial Risk Management

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Financial Risk Management

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value.

Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Fund's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with

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significant unobservable components. This hierarchy requires the use of observable market data when available. The Fund considers relevant and observable market prices in its valuations where possible.

Financial Risk Management

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

Description	Level 1	Level 2	Level 3	Total
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2023				
Non- Financial Assets				
Intangible Asset	-	-	108,000	108,000
Total	-	-	108,000	108,000

There were no transfers between levels 1, 2 and 3 during the year. Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

iv) Capital Risk Management

The objective of the Entity's capital risk management is to safeguard the Fund's ability to continue as a going concern. The Fund capital structure comprises of the following funds:

Description	2022-2023
	Kshs
Revaluation Reserve	-
Retained Earnings	413,008,118
Capital Reserve	-
Total Funds	413,008,118
Total Borrowings	-
Less: Cash and Bank Balances	(408,022,152)
Net Debt/(Excess Cash And Cash Equivalents)	(408,022,152)
Gearing	99%

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Notes to the Financial Statements (Continued)

16. Related Party Disclosures

Nature of related party relationships

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

Government of Kenya

The Government of Kenya is the principal shareholder of the Fund, holding 100% of the Fund's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Fund, both domestic and external.

Description	2022-2023
	Kshs
Transactions with related parties	
a) Grants /transfers from the government	
Grants from national govt	463,300,000
Total	463,300,000

17. Segment Information

The Fund does not operate in different geographical regions or departments hence no segmental information provided as per IPSAS 18 on segmental reporting requirements.

18. Contingent Assets and Contingent Liabilities

Contingent Assets

Description	2022-2023
	Kshs
Contingent Assets	
Receivables From Other Government Entities	13,300,000
Total	13,300,000

Funding for F/Y 2022-2023 as at June 2023 was not fully received by the Fund amounting to Ksh. 13,300,000 from State Department for Development of the ASALs

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Notes to the Financial Statements (Continued)

19. Capital Commitments

Capital Commitments	2022-2023
	Kshs
Authorised for	-
Authorised and Contracted for	9,102,834
Total	9,102,834

20. Events after the Reporting Period

There were no material adjusting and non- adjusting events after the reporting period.

21. Ultimate And Holding Entity

The Fund operates under the Entity, NDMA which is a State Corporation/ Semi- Autonomous Government Agency under the Ministry of EAC, ASALs & Regional Development. Its ultimate parent is the Government of Kenya.

22. Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

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23. Appendices

Appendix I: Implementation Status of Auditor-General's Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
This is the first time the fund is being audited, as such no issues that has been raised previously				



.....
Chief Executive Officer

Date:

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Appendix II: Projects implemented by NDEF

Projects implemented by the National Drought Emergency Fund Funded by development partners and/ or the Government.

Project Code & Project Title	Financing			Actual cumulative Exp. up to 30th June 2023	Project completion % as at 30th June 2023	Approved Budget 2022/23		Source of Funds
	Estimated Cost of Project	GoK	Foreign			GOK	Foreign	
	Kshs. Million			Kshs. Million		Kshs. Million		
-	-	-	-	-	-	-	-	GoK
TOTAL	-	-	-	-	-	-	-	

Appendix III: Status of Projects completion

Project Title	Total Project cost (Mil Kshs)	Total expended to date (June 2023) (Mil Kshs)	Completion % to date	Budget 2022/23 (Mil Kshs)	Actual 2022/23 (Mil Kshs)	Sources of funds
-	-	-	-	-	-	GoK

Delays in establishment of county governments until December 2022 after elections, for many of the ASAL counties delayed the setup and sensitization of County Drought and Food Security Committees that according to the Regulations and to facilitate identification and approval of projects to be funded through the NDEF. This resulted in the missing of critical timelines in the identification and approval of projects to be funded, such that the projects could not find inclusion in the FY 2022/2023 workplan

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Appendix IV: Transfers from Other Government Entities

Name of the MDA Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivable	Other \$ must be specified	
Ministry of EAC, ASALs & Regional Development	21/06/2022	Development	200,000,000	200,000,000	-	-	-	-	200,000,000
Ministry of EAC, ASALs & Regional Development	05/10/2022	Development	125,000,000	125,000,000	-	-	-	-	125,000,000
Ministry of EAC, ASALs & Regional Development	02/06/2023	Development	125,000,000	125,000,000	-	-	-	-	125,000,000
Ministry of EAC, ASALs & Regional Development	18/07/2023	Development	13,300,000	-	-	-	13,300,000	-	-
Total			463,300,000	450,000,000	-	-	13,300,000	-	450,000,000

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Appendix V- Inter-Entity Confirmation Letter

Reference Number	Date Disbursed	Amounts Disbursed by the Fund (NDEF) as at 30th June 2023				Amount Received by [beneficiary Entity] (KShs) as at 30 th June (Previous FY) (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	N/A	N/A	N/A	N/A	N/A	N/A	N/A

We confirm that the fund never did any inter-entity transfers during the financial year 2022-23.

Head of Accountants department of beneficiary Entity:

NameN/A..... **Sign**N/A..... **Date**N/A.....

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Appendix VI: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities	Quarter				Source of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
-		-	-	-	-	-	-	-	
-		-	-	-	-	-	-	-	

Appendix VII: Reporting on Disaster Management Expenditure

Column I Programme	Column II Sub-programme	Column III Disaster Type	Column IV Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Column V Expenditure item	Column VI Amount (Kshs.)	Column VII Comments
1036	1036100900	Drought	Response	Purchase of pellets and fuel subsidy	51,816,153	-
			Recovery	Coordination	518,200	-
			Preparedness	Coordination	654,600	-

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