

REPUBLIC OF KENYA

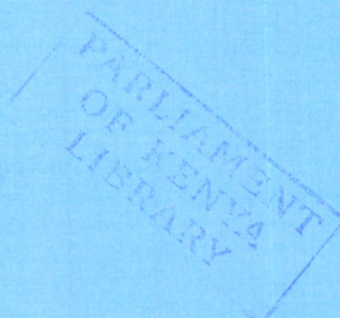


OFFICE OF THE AUDITOR-GENERAL

THE NATIONAL ASSEMBLY
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REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
NATIONAL DROUGHT MANAGEMENT
AUTHORITY**

**FOR THE YEAR
ENDED 30 JUNE 2018**



NATIONAL DROUGHT MANAGEMENT AUTHORITY DRAFT FINANCIAL STATEMENTS AND
ANNUAL REPORT FOR THE YEAR ENDED 30TH JUNE 2018



**NATIONAL DROUGHT MANAGEMENT AUTHORITY
ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2018**

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

Level of rounding of: To the nearest shilling

NATIONAL DROUGHT MANAGEMENT AUTHORITY DRAFT FINANCIAL STATEMENTS
AND ANNUAL REPORT FOR THE YEAR ENDED 30TH JUNE 2018

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ACRONYMS

ACP	Asset Creation Programme
ASALs	Arid and Semi-Arid Lands
CCCCF	County Climate Change Fund
CIDP	County Integrated Development Plans
CMDRR	Community Managed Disaster Risk Reduction
CSG	County Steering Group
CSO	Civil Society Organization
EDE	Ending Drought Emergencies
EU	European Union
EWS	Early Warning System
FBO	Faith Based Organization
FEWS NET	Famine Early Warning Systems Network
GCF	Green Climate Fund
HSNP	Hunger Safety Net Programme
IUCN	International Union for Conservation of Nature
KFSM	Kenya Food Security Meeting
KFSSG	Kenya Food Security Steering Group
KMD	Kenya Meteorological Department
LRA	Long Rains Assessment
NDCs	Nationally Determined Contributions
NDEF	National Drought Emergency Fund
NDMA	National Drought Management Authority
NEMA	National Environment Management Authority
NSNP	National Safety Net Programme
SDGs	Sustainable Development Goals
VCI	Vegetation Condition Index
WFP	World Food Programme

PART ONE: ANNUAL PERFORMANCE

1.0 KEY ORGANISATION INFORMATION AND MANAGEMENT

1.1 Background information

The National Drought Management Authority (NDMA) is a State Corporation established by the NDMA Act (2016) with perpetual succession, power to sue and be sued in its own name, and ability to own and alienate movable and immovable property. The Authority is governed by the provisions of the State Corporations Act, Chapter 446 of the Laws of Kenya, an Act of Parliament which provides for control and regulation of State Corporations.

NDMA falls under the Ministry of Devolution and Arid and Semi-Arid Lands (ASALs) and is the national authority responsible for drought risk management. The NDMA is a national institution that has already set up operational offices in 23 drought prone counties categorized as ASAL. It plans to expand to other counties over the next few years (Table I: Current geographical coverage of NDMA). The 23 counties cover over 80% of Kenya's land mass as shown in Figure I. In addition, NDMA has satellite offices with limited functions in some former districts where distances from the county offices are long. These include Ijara, Mwingi and Moyale.

Figure I: NDMA county offices

NDMA County Offices

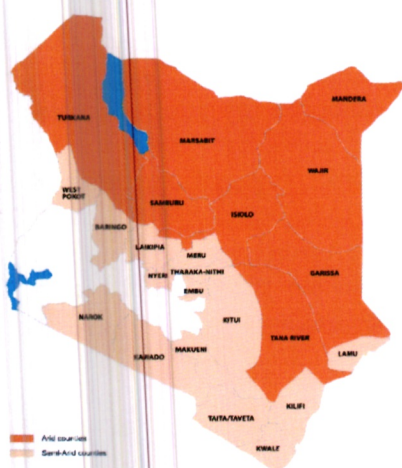


Table I: Current Geographical coverage of NDMA

Arid counties	Semi-Arid counties
1. Baringo	1. Embu (Mbeere)
2. Garissa	2. Kajiado
3. Isiolo	3. Kilifi
4. Mandera	4. Kitui
5. Marsabit	5. Kwale
6. Samburu	6. Laikipia
7. Tana River	7. Lamu
8. Turkana	8. Makueni
9. Wajir	9. Meru (North)
	10. Narok
	11. Nyeri (Kieni)
	12. Taita Taveta
	13. Tharaka Nithi
	14. West Pokot

1.2 Mandate, Vision and Mission

Mandate: The National Drought Management Authority 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 for sustainable livelihoods.

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

1.3 Core functions

The functions of the Authority as per the NDMA Act (2016) are as follows:

- a) Exercise overall coordination over all matters relating to drought management including implementation of policies and programmes relating to drought management.
- b) Coordinate drought response initiatives being undertaken by other bodies, institutions and agencies.
- c) Promote the integration of drought response efforts into development policies, plans, programmes and projects in order to ensure the proper management of drought.
- d) Develop, in consultation with stakeholders, an efficient drought early warning system and operate the system.
- e) Facilitate national and county level drought contingency processes and the preparation of national and county level drought contingency plans.
- f) Establish and review, in consultation with stakeholders and relevant institutions and agencies, drought preparedness strategies.
- g) Identify, design and implement projects and programmes that shall strengthen resilience to drought and climate change.
- h) Publish and disseminate manuals, codes or guidelines relating to drought management and prevention or abatement of the extreme effects of drought on human, plant and animal life.
- i) Conduct research on drought management and generate, consolidate and disseminate drought management information.
- j) Render advice and technical support to persons, bodies or institutions engaged in drought management so as to enable them to carry out their responsibilities effectively.
- k) Coordinate with the national government where a drought situation requires the declaration of a national or international disaster.
- l) Coordinate the design and implementation of the country's regional and international commitments pertaining to drought management.
- m) Prepare and issue an annual report on the state of drought management in Kenya.
- n) Perform such other functions as are incidental or conducive to the exercise, by the Authority, of any or all of the functions provided for under this Act.

1.4 Corporate Information

Organization headquarters and address

National Drought Management Authority

Lonrho House, Standard Street

P.O Box 53547, 00200

Nairobi, Kenya

Telephone: +254 020 2227496 / 2227168 / 2224324 / 2216962 / 2227223

Mobile: +254 0722 200656

Email: info@ndma.go.ke

Website: www.ndma.go.ke

Principal Bankers

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

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

Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O Box 30084, 00100
Nairobi, Kenya

Principal Legal Advisor

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

I.5 Fiduciary Management

The management of NDMA is vested in the Board of Directors. The following were the Board Members during the 2017/18 financial year: -

I.6 The Management Board

		Board member and chair, Human Resource committee. • MBA Global Business Administration - USIU • BA- University of Nairobi
		Board member and chair, Technical committee. • MBA Strategic Management • BSC Animal Production • Diploma in Animal Health
		Chief Executive Officer and Secretary to the Board • MSc. Agricultural extension & training. • BSc. General Agriculture.
		Board member, representing CS. National Treasury • MBA- Moi University • Bachelor of social science University of Nairobi • Advanced Diploma in Financial Management KCA

 Dr. Florence Bett	Board member, representing PS. Special programs • • Master's in Public Health • Degree in Medicine • Strategic leadership in development program from Kenya School of Law • Representing PS Special programs
 Mr. Timothy Mosiany	Board member and chair, Audit committee • B.Sc. in Management and Conservation – University of Nairobi • Diploma in Tourism Management- Technical University of Kenya
 Mrs. Nancy Muthoni Njiro	Board member and chair, Finance committee • BCom Accounting – University of Nairobi • Certified Public Accountant (K) - ICPAK • Diploma in Banking

(a) Board Committees

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

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

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

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

I.7 The Management Team

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

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



Mr. Patrick Musichi

Manger, Human Resource & Administration

Bachelor of Arts, Higher diploma in Human Resources Management and Diploma in Sales and Marketing.

1.8 Statement by the Chairperson

It gives me great pleasure to present the Annual Report for the financial year 2017/2018. Our achievements for this year are as a result of the enormous support we have received from the National Government, Parliament, County Governments, Development Partners and other stakeholders.

The Kenya Vision 2030 envisages a nation that is globally competitive and prosperous with high quality of life by 2030. This goal may not be achieved if the challenges facing the ASALs are not addressed. One of these is the rising frequency and intensity of drought, with major negative impacts on the economy. It is for this reason that the Government has made a commitment to end drought emergencies in Kenya by 2022.

During the reporting period, the Government actualised its commitment to support Drought Risk Management through funding of the Integrated Drought Early Warning Systems (EWS), strengthening drought contingency planning to ensure that counties and communities are in a high state of readiness to implement preparedness and response activities and investing in projects that reduce drought vulnerability and enhance resilience. A multi-donor National Drought Emergency Fund (NDEF) has also been established under the National Drought Management Authority (NDMA) Act 2016 and is being operationalized to reduce the need for re-allocation of funds meant for long term development and investments when drought strikes.

Between July 2017 and June 2018, the Authority disbursed Kshs 2.4 billion that supported drought mitigation interventions in 21 ASAL counties. Most stakeholders noted that the drought was better managed than any other previous drought response initiatives. According to the findings of an impact evaluation that was conducted in November 2017, the implementation and financial disbursement mechanism was efficient and effective in assisting local communities affected by drought. The remarkable achievement was attributed to the application of the management information system (MIS) that was able to track the process, hence reducing the lag time between drought stress warning and response, and the high level of community participation and cooperation from county governments and other development actors.

To reduce food insecurity among vulnerable groups, and more so during drought, the Authority distributed regular, bi-monthly and unconditional cash transfers amounting to Kshs 4.4 billion to 100,873 households in Turkana, Mandera, Marsabit and Wajir. The cash transfers serve as an effective safety net for the poorest, helping households that have very few other means of protecting themselves to alleviate the worst effects of poverty. During the reporting period, the Hunger Safety Net Programme (HSNP) achieved meaningful success in meeting its primary objective which informed a decision to expand the coverage of HSNP, both within and beyond the current HSNP counties, due to the breadth and depth of poverty in these ASAL areas.

I thank the management and staff of the NDMA for their dedication and commitment to serving Kenyans and, in particular, ASAL communities. Finally, I invite you to read the detailed report on the Authority's performance during the reporting period.

Chairperson [] Date [28.09.18]

1.9 Report of the Chief Executive Officer

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

The Authority is strategically focusing on delivering on its mandate and has thus aligned its annual work plans, budgets and performance contracts to its strategic objectives and the goal of building resilience and ending drought emergencies. Particularly, NDMA ensures that the overall development process takes drought and climate risks into account in line with the Sendai Framework for Disaster Risk Reduction (DRR). To achieve this, the Authority has spearheaded mainstreaming of drought risk reduction, climate change adaptation and social protection in planning, budgeting and accountability processes and integrating new streams of finance within the drought and climate risk management frameworks at national and county levels. It has also been carrying out capacity building of staff to ensure they are all up to task in delivering on its mandate.

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

During the reporting period, the country experienced a debilitating drought that left over 3.5 million people in need of relief assistance. The Government declared the drought a national disaster and put in place a three-phased intervention plan with a budget of Kshs22 billion. The interventions ensured that no life was lost. Despite the fact that the 2016/17 drought was more severe than the 2010/2011 drought, losses and damages to ASAL livelihoods were far much less. This is attributed to sharing and use of early warning information, strengthened Contingency planning process, resource mobilisation and functional drought preparedness and coordination structures at both national and local levels. The coordination structures are able to activate the contingency plans on time, as well as define clear targeting basis guided by vulnerability.

The report is divided into eight chapters. The first two chapters provide background information on the Authority, its management and corporate statement. Chapter three to six describe achievements in execution of the NDMA mandate over the past year, including leveraging partnerships with county governments, sectors and development partners. The Authority's financial statements are captured in Chapter seven and eight.

Chief Executive Officer []

Date [20.09.18]

2.0 CORPORATE GOVERNANCE STATEMENT

2.1 Core Values

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

2.2 Role of Board of Directors

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

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

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

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

2.3 Board meetings

The Board and its committees met three times during the financial year. The calendar of the meetings is circulated well in advance, while meeting invitations to Board members are sent two weeks in advance.

2.4 Board committees

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

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

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

2.4.1 Human Resources Management Committee

The main purpose of this Committee is to ensure that the Authority has sound human resource strategies, which enable it to attract, develop, motivate and retain the right caliber of staff.

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

- a) Periodic review and advise to the main Board on appropriate human resource strategies, policies and procedures;
- b) Advise the Board and guide the process on staff recruitment, manpower planning and

- related budgets;
- c) Advise the Board on any reviews required to enhance the effectiveness of manpower development and staff training;
- d) Advise the Board on reviews which may be necessary to make the organizational structure, appraisal system, grading system and salary structures more relevant and effective;
- e) And Review proposals and advise the Board on staff benefit schemes including medical, retirement benefits and insurance schemes, among others.

2.4.2 Finance Committee

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

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

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

2.4.3 Audit & Risk Management Committee

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

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

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

2.4.4 Technical Committee

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

- a) The overall performance of the Authority;

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

2.5 Communication

The Board and the CEO communicate policy matters to the wider public. Board decisions are communicated to staff through memos. Individual Board members cannot have informal discussions with staff members. The Board receives management reports two weeks in advance before Board meetings.

2.6 Sustainability statement

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

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

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

3.0 DROUGHT COORDINATION

Efficient and effective Drought Coordination requires a multi-sectoral approach. Inter-agency and inter-governmental collaboration continued to be the focus of the authority in this reporting year.

The NDMA 2016 Act mandate the Authority to carry out the following coordination functions:

- a) Exercise overall coordination over all matters relating to drought management including implementation of policies and programmes relating to drought management
- b) Coordinate drought response initiatives being undertaken by other bodies, institutions and agencies
- c) Coordinate the design and implementation of the country's regional and international commitments pertaining to drought management

These coordination functions are actualized through the following mechanisms:-

i) Programme Coordination

Programme delivery and coordination during the reporting year was informed by flagship projects and result areas under Vision 2030 and the Sector Plan for Drought Risk Management and Ending Drought Emergencies (MTP II). The Government is implementing a strategy aimed at ending drought emergencies by the year 2022. The EDE strategy is implemented through a Common Programme Framework across various sectors within National and County Governments and coordinated by the Authority.

The Authority is recognises that drought risk affects several sectors thus continued to influence sectors to adopt evidence-based policies that address underlying challenges to long term drought resilience. Policy influencing is coordinated through the EDE pillar groups. The ASAL Stakeholders Forum (ASF) and the Pastoralist Parliamentary Group (PPG) play critical roles in fast tracking sector policy influencing and changes. Various committees namely; National EDE Steering Committee, EDE Pillar Groups and CSGs have been supported to monitor progress and mainstream EDE-CPF result areas in County Integrated Development plans (CIDPs).

Achievements made during the reporting period are as follows;

- Integrated Performance and Accountability Framework (EDE/IPMAF) and tools were developed to improve monitoring of EDE progress at county levels.
- EDE-Sector MTP III incorporating Big 4 agenda developed and finalised with participation of all line ministries, county governments and development partners.
- 23 ASAL counties were supported to incorporate EDE priorities in their second generation CIDPs (2018-2022).
- ASAL Stakeholders Forum supported to develop their 5-year strategic plan (2018-2022) and hold their annual general meeting.
- One EDE joint monitoring mission to 10 counties¹ undertaken. The team comprised officers from the following sectors and organization: Water and sanitation; Education; Health; Agriculture, Livestock, irrigation, Fisheries, Interior; UNICEF, WFP and FAO.

¹ Garissa, Marsabit, Isiolo, Turkana, West Pokot, Kitui, Meru, Tharaka-Nithi, Kwale, Makueni

- Supported Pastoralist Parliamentary Group conference held in Mombasa in December 2017 to induct MPs from pastoralists areas on various issues including the EDE, DRM and policy and legislative priorities of the ASAL region.
- Supported 10 pillar and inter-pillar meetings to improve coordination and collaboration.
- Tracked pillar investments for priority interventions.

ii) Drought Coordination Structures

The Authority strengthened drought and food security coordination structures at national and county levels to enhance drought risk management reporting and decision making. The coordination structures guide DRM common programming, strategic planning, synergy and collaboration among stakeholders.

Inter-governmental committee on drought and food security

This committee provides policy direction and mobilises resources for drought response in the country. The committee;

- Held 3 meetings to consider reports from technical committee on drought and food security.
- Approved the consolidated sector drought response plans during the 2017/2018 financial year. Through the committee's recommendation, the National Treasury availed Ksh 8 billion to relevant State Departments for drought response initiatives. This amount represented 80 percent of the drought response resource gap.
- Approved a policy shift from food relief to cash transfers for better targeting.

Committee members are Cabinet Secretaries for Devolution and ASALs (Chairperson); Health; Agriculture, Livestock, Fisheries & Irrigation; Education; Interior and Coordination of National Government, Water & Sanitation, Environment & Forestry and the 23 ASAL Governors. The committee is co-chaired by the Council of Governors Food Security Committee chair while the NDMA Chief Executive Officer is the secretary.

Inter-governmental technical committee on drought and food security

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

- Held 4 committee meetings during the reporting period to consider drought response resource needs and gaps and made recommendations to the Inter-governmental committee on drought and food security.
- Oversaw the implementation of recommendations of Inter-governmental committee on drought and food security and activation of drought response standard operating procedures.

Membership to this committee includes Principal Secretaries of the following state departments: ASALs (Chairperson), Health; Agriculture, Livestock, Irrigation, Education; Interior and Coordination of National Government, Water & Sanitation, Environment & Forestry and relevant CECs from the 23 ASAL counties. The Chief Executive Officer of NDMA is the secretary.

Inter-agency committee on drought and food security

The committee held 3 meetings to review recommendations by various committees and mobilise resources for drought response. Resource mobilisation to fill drought response resource gaps is mainly from non-state actors including UN agencies, development partners, international NGOs and private sector.

Most of the resources mobilised were channelled through UN and humanitarian non-governmental organizations, such as FAO, WFP, KRCS, WVK, CRS, among others.

The committee is chaired by the Secretary to the Cabinet and Head of Public Service. Members are Governors, Cabinet Secretaries, UN-Agencies, Development Partners, and International Non-Governmental Organisations. NDMA and UN OCHA are the joint secretaries to the committee.

Kenya Food Security Meeting

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

The forum met 4 times during the reporting period to validate findings of the 2017/18 Long Rains and Short Rains food security assessments. The assessments are carried out by a multi-agency technical team referred to as Kenya Food Security Steering Group (KFSSG).

A consultative meeting on floods and risk of occurrence of Rift Valley Fever was held in May 2018. A report and incident map were shared with National Disaster Operations Centre (NDOC) and stakeholders to improve coordination of response.

County Steering Groups

The authority continued to support County Steering Group (CSG) meetings in the 23 ASAL counties. The CSGs prioritize sector drought resilience building investment needs, drought response plans and develop criteria for beneficiary and geographical targeting based on early warning information provided by the NDMA. The structure which is replicated at sub-county level also provides synergy and collaboration among stakeholders. During the period:

- All 23 ASAL counties held quarterly CSG meetings.
- The authority supported 34 ad hoc CSG and sector technical working group meetings. These meetings validated monthly drought bulletins and assessment findings (nutrition assessments, rapid drought assessments and bi-annual food security assessments) for decision making.
- NDMA carried out rapid drought assessments in 17 counties to determine the areas and population in need of assistance. This culminated in disbursement of Ksh 447 million following CSG approval of assessment recommendations.
- NDMA replicated the CSG coordination approach in 2 additional counties – Elgeyo Marakwet and Nakuru. Two meetings were aimed at addressing conflict (Elgeyo Marakwet) and floods (Nakuru) in line with a multi-hazard approach to disaster risk management.

CSG membership is drawn from organisations and departments handling drought-related matters at county level, Civil Society Organisations (CSOs), Faith Based Organisations (FBOs) and community representatives. CSGs are chaired by the Governor and co-chaired by the County Commissioner, with NDMA as the Secretariat.

iii) Global and regional commitments

IGAD Regional Drought Disaster Resilience and Sustainability Initiative

The Intergovernmental Authority on Development (IGAD) Drought Disaster Resilience and Sustainability Initiative (IDDRSI) is a long term strategy by East Africa and the Horn of Africa region nations to end drought emergencies in the region. The IDDRSI strategy commits all parties to focus on sustainability of drought resilience initiatives. Kenya has domesticated this commitment through the Ending Drought Emergencies (EDE) strategy coordinated by the NDMA. The Government further adopted a Common Programme Framework (CPF) due to the large number of stakeholders involved in the EDE. The framework ensures stronger alignment and coordination of investment, and, where possible, harmonisation of programming. Achievements during the reporting period are as follows:



IGAD IDDRSI Platform Coordinator Dr John Kabayo (right) hands over the Communique of a Steering Committee and General Assembly meeting to Devolution and ASALs Cabinet Secretary Hon. Eugene Wamalwa. NDMA participated in the meeting held in Entebbe, Uganda on 11th May 2018.

- Compiled and disseminated Kenya's 5 year country progress report on EDE.
- Compiled the Country Drought management best practice document.
- Adopted the IGAD project monitoring and evaluation (DI-monitoring) tools
- Participated in the development of Regional Knowledge Management strategy for IDDRSI
- Participated in IDDRSI platform steering committee meeting held on 9-10th May 2018 in Entebbe, Uganda.
- Participated in the IDDRSI General Assembly of Ministers meeting, held in Entebbe, Uganda on 11th May

2018.

Sustainable Development Goals

SDG 1. Zero Hunger: End hunger, achieve food security and improve Nutrition

- NDMA support to livelihoods is key to food and nutrition security across the ASALs and contributes to meeting of Governments commitment to the constitutional obligation of freedom from hunger as well as SDG 1. The Authority provides drought early warning information, coordinates bi-annual food security assessments, and has established an elaborate structure that deals with drought response and resilience building. NDMA executes this action through its Hunger Safety Net programme (HSNP), Drought Risk Management and Coordination (DRMC) Programme and Protracted Relief and Recovery Project (PRRO).

SDG 13. Climate action and United Nations Framework Convention Climate Change (UNFCCC)

The Authority contributes to Kenya's commitment through the National Climate Change Adaptation Action Plan, focusing on raising capacities for effective planning and management of climate change related hazards and natural disasters.

During the period NDMA:

- Participated in 2017 COP held in Bonn Germany
- Participated in the meetings of the Bodies under the UNFCCC
- Contributed to the Kenya Position Paper on implementation of the Paris Agreement
- Continued being the Lead negotiators for the climate change adaptation at UN level
- Contributed to the ongoing formulation of the National Climate Change Action Plan (2018-2022)
- Contributed to the National Adaptation Plan which was submitted to UNFCCC secretariat
- Contributed to the 5th generation United Nations Development Assistance Framework (UNDAF) for Kenya (2018-2022)
- Contributed to the 2018-19 UNDAF annual common budget framework for Kenya

Citizen Participation

In implementation of bill of rights and fundamental freedom, article 21(3) of Constitution of Kenya 2010, states, "All State organs and all public officers have the duty to address the needs of vulnerable groups within society, including women, older members of society, persons with disabilities, children, youth, members of minority or marginalised communities, and members of particular ethnic, religious or cultural communities".

To respond to these constitutional requirements, the authority uses a set of process and procedures that puts citizens at the centre of its interventions.

Key among these are:

i. Participatory planning and engendering

Participatory planning processes ensures vulnerability analysis is undertaken to engender all its drought risk management projects and programmes and improves project ownership.

During the period, citizen participation enabled:

- Adoption of ward level Participatory Disaster Risk Analysis (PDRA) which has empowered communities to effectively incorporate their development priorities in the second generation CIDPs (2018-2022) and 2018/19 county annual budget.
- Community based targeting for DRM interventions.
- Drought early warning system community feedback mechanism which helped the communities in decision making.
- Development of 115 ward level contingency plans in 23 counties.

ii. Citizen's access to information and social accountability

The authority promotes access to information by citizens in line with the requirement of Article 35. (1) of the Constitution and Access to Information Act 2016 to enhance participatory planning, monitoring and evaluation and social accountability. This is also in line with the SDGs which recognises that 'vulnerable segments of the population are better informed, they are able to claim their rights more consistently and use State services more purposefully to pull themselves out of poverty'

Social Accountability

As part of adherence to the constitution the Authority implements a citizen service charter which obligates the authority to provide a framework for citizen participation on decisions that impacts on their lives. As part of its performance contract NDMA implements an elaborate complaints handling mechanism that addresses citizen concerns with regard to the authority's activities.

Additionally, with the support of the EU, the Authority has adopted a social accountability initiative implemented in collaboration with Transparency International-Kenya. This is aimed at improving effectiveness of drought risk management projects and programme through enhanced citizen participation, peer-to-peer reflection and monitoring action by all stakeholders. During the reporting period, the component, was expanded to four more counties to build on achievements made in Marsabit, Isiolo, and West Pokot. The additional counties include Marsabit, Isiolo, Kilifi and Samburu.

The following was achieved during the period:

- Enhanced responsiveness to citizen concerns through a robust online case management system. The system improved delivery of payments and beneficiary identification for cash transfers with more than 2,000 cases dispensed.
- Under the social accountability project, a total of 171 interventions were mapped by social auditors for audit assessments out of which 74 assessments were completed.
- A total of 128 new social auditors were trained on use of social accountability tools and provided with relevant materials to enable them conduct social audit assessments effectively
- 35 public sensitisation forums were conducted in West Pokot, Turkana and Isiolo counties. These were complemented by support and monitoring visits.
- "Uwajibikaji Pamoja" coordination meetings held in the 3 counties during the period - 3 in Turkana, 2 each in Marsabit and Wajir Counties.

4.0 DROUGHT AND FOOD SECURITY INFORMATION

The Authority operates and maintains a national drought early warning information system, coordinates national and county food security assessments, and processes and disseminates drought early warning information to stakeholders.

4.1 National Drought Early Warning System

The early warning information system is a web-based system which allows integration, analysis and synchronisation of data collected from all the counties in real time. Data collection is done using mobile phone technology for timeliness and cost effectiveness.

The objective is to provide timely information in advance of, or during, the early onset of drought to prompt action to reduce potential negative impacts. The recommended interventions are categorised into immediate, medium term and long-term.

Figure 4.1: Screenshot of the Kenya Drought early warning system.



During the period under review, NDMA:

- Produced and disseminated 23 monthly county drought early warning bulletins, totaling 276.
- Produced and disseminated 12 consolidated monthly national drought early warning bulletins.
- Produced 20 monthly and bi-monthly remote-sensed reports (Vegetation Condition Index) for all 23 ASAL counties. The reports provided objective evidence-based information on the drought status based on vegetation greenness.
- Trained two officers on remote sensing technology to build their capacity to process satellite data (vegetation condition index) up to Ward level.
- Improved the accuracy and reliability of biophysical indicators, such as rainfall data, cumulative amounts and distribution by combining and triangulating data from various sources and sectors, including Kenya Meteorological Department (KMD), Famine Early Warning Systems Network (FEWS NET) and World Food Programme (WFP).
- Enhanced data quality as well as information gathering and processing through use of mobile data collection devices in 23 ASAL counties as follows;

Immediate outcomes of digital early warning data collection	
Cost effectiveness	Use of mobile phones has eliminated the need for paper questionnaires, thus reduced printing and paper costs which previously cost NDMA over Kshs 2.5 million each year.
Improved efficiency	Digital data collection has reduced both field data collection time as well as the time required for analysis and report dissemination. Currently the data collection annual budget stands at Ksh 30 million, representing a 40% reduction from Ksh 50 million in 2016. This decrease is attributed to reduction in the number of data collection days spent by Field Monitors from 14 to the current 10 days.
Improved data quality	Mobile data collection reduced the possibility of error, gaps/incomplete forms at the point of collection. Increased speed in data collection and provided Data Analysts with more time for data cleaning and quality checks.
Safer storage and backup	Digital data is received in real time and is easily copied, backed up and stored both at county and national level. Previously, several counties would report cases of destroyed or lost questionnaires.
Ease in updating EWS questionnaires	Use of mobile phones has made it easier to make and distribute changes on the digital survey forms. Updated/revised mobile forms are prepared and distributed to all Field Monitors quickly and automatically at the press of a button.



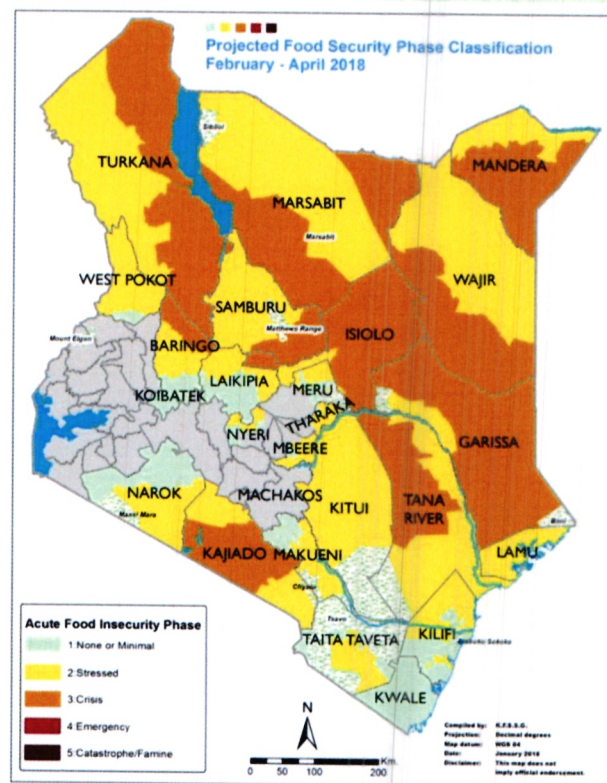
An NDMA Field Monitor interviews a respondent in Ptokou sentinel site, Weiwei ward in West Pokot County using a digital device.

4.2 Drought and food security assessments

In 2017/18 financial year, the Authority achieved the following;

- Coordinated the Kenya Food Security Steering Group (KFSSG) to undertake two seasonal food security assessments. The 2017 Long Rains Assessment (LRA) was carried out in July 2017 while the Short Rains Assessment (SRA) was conducted in February 2018.
- Conducted rapid food security assessments in 17 counties which informed priority areas for sector interventions, assisted in identification of the types and magnitude of response options to reduce food insecurity and resource requirements.
- Developed rapid drought and food security assessment guidelines to ensure standardisation.
- Partnered with FEWS NET to produce quarterly food security updates which synthesised and summarised drought early warning information during the period. The updates informed short and medium-term decision making based on seasonal trends.

Food security phase classification Feb-2018



4.3 Drought Information Dissemination and Feedback

NDMA disseminates information from the national drought early warning system to a wide range of stakeholders. This informs early action by Government departments and other actors. In addition, other early warning systems tap into the national drought early warning information to package their updates and outlooks.

- During the reporting period, the Authority piloted use of an early warning information dissemination and feedback mechanism to communities. This involved development of a simple message template and training of County Information Officers, Data Analysts, Field Monitors and county sector officers in four counties - Marsabit, Wajir, Baringo, Samburu. This is aimed at strengthening two-way communication mechanism with communities and grassroots action for drought risk management.
- NDMA convened four (4) Kenya Food Security Meeting (KFSM) forums for validation and sharing of long and short rains assessment reports.
- Published food security assessment reports and monthly drought bulletins on the NDMA website to enhance dissemination to a wider audience.
- Used social media, especially twitter and bulk email, to communicate drought information and assessment findings to stakeholders.
- Disseminated messages on drought status and interventions to communities through public barazas/community meetings and local radio stations.

5.0 DROUGHT CONTINGENCY PLANNING, RESPONSE AND RECOVERY

The Constitution obligates the State to protect the vulnerable to achieve progressive realisation of the rights guaranteed under Article 43 of our Constitution, including the right to be free from hunger. However, drought erodes economic gains and undermines efforts to progressively realise this right. As a specialised institution, NDMA prioritises drought response to cushion livelihoods of vulnerable households from drought shocks.

In addition to providing drought early warning information, the Authority coordinates preparation of drought contingency plans and mobilises resources for timely response. Availability of drought contingency finance ensures that action is taken early to protect lives and livelihoods and avoid the high cost of emergency response. Consequently, The Government is establishing the National Drought Emergency Fund to ensure that resources will always be available for quick action before a drought deteriorates. NDMA has been testing the approach with a Drought Contingency Fund (DCF) provided by the European Union which it has been disbursing in drought-affected counties in partnership with the County Governments.

The NDMA also disburses shock responsive cash transfers to the poorest and vulnerable households in four ASAL counties under the Hunger Safety Net Programme (HSNP).

5.1 Drought contingency and response planning processes

The NDMA has institutionalised a bottom-up contingency planning process, with the Ward as the lowest unit of response planning. This empowers communities to take centre stage in drought risk management by enabling them to analyse drought risks, prioritize risk reduction measures for implementation, monitor and learn from the measures and improve on their coping capacities. During the reporting period, the NDMA;

- Developed and validated 115 Ward level drought contingency plans in 23 counties.
- Reviewed 23 County drought contingency plans that were adopted by stakeholders at the national and county levels.
- Developed 17 county response plans that were used by county and national stakeholders during the 2017/18 drought response
- Supported drought scenario building sessions and contingency planning simulation exercises for county sector working groups based on seasonality.
- Mobilized over Kshs 8 billion from the National Treasury and over Kshs 400 million from the EU and other partners during the 2017/18 drought period based on the consolidated drought response plan



5.2 Drought response financing mechanism

The EDE strategy envisages strong institutional and financing mechanisms for drought risk management. The Authority is guided by no-regret early action principle aimed at protecting lives and livelihoods, thus avoiding the high cost of emergency response. In order to ensure effective drought response coordination NDMA has;

- Continued to make improvements on guidelines, standard operating procedures and operationalize drought contingency funds for drought preparedness and early response.

- Reviewed and updated the drought response manual, incorporated the lessons learnt from the 2016/2017 drought response interventions and scalability mechanisms for cash transfers
- In collaboration with National Treasury and AG office, developed the regulation of the National Drought Emergency Fund (NDEF) under the PFM Act, 2012

5.2.1 Drought response initiatives

During the reporting period, the drought extended from 2017 to early 2018. To this end, the National and County Governments, development partners and other non-state actors remained focused on drought response. NDMA responded through a three-thronged approach

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

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

With technical input from the Inter-Agency Committee on Drought and Food Security, a Cabinet Memo was adopted in November 2016 setting out a three-phased response and resource envelope for each sector. The response was extended to the reporting period during which the National Treasury released Kshs 8 billion to State departments as follows:

- The livestock sector was allocated Kshs 1,569,046,170 for purchase and distribution of livestock feeds, livestock off take and livestock disease control.
- Agriculture received Kshs 184,939,550 for purchase and distribution of drought tolerant seeds as well as pre-positioning of strategic food reserve stocks and farm inputs.
- Kshs 758,000,000 was allocated to the water sector for water distribution and storage, repair/rehabilitation of boreholes and drilling and equipping of boreholes. The interventions were implemented by the State Department, regional authorities and National Youth Service.
- The health and nutrition sector received Kshs 357,452,351 for provision of therapeutic and supplementary feeds for children below five years, integrated outreach services and mass screening and provision of water treatment chemicals to affected households.
- Response funds amounting to Kshs 113, 691,658 for the education sector went towards fees subsidy to day secondary schools, expanded school meal programme and rain water harvesting and sanitation.
- Kshs 4.7 billion was used to support estimated 3.4 Million people affected by drought through relief food distribution and cash transfers.
- In order to facilitate inter communities and cross boundaries peace dialogues and initiatives, peace and security sector was allocated Kshs 164.7 million

5.2.1.2 Drought Contingency Fund

The Authority, through the EU funded DCF, disbursed Kshs 447 Million to support drought response activities identified by sectors in 17 drought affected counties. Focus was mainly on the livestock sector, which was most affected by the drought. Consequently, about 75 percent of the funds were spent on livestock feeds, off-take, and livestock disease control.

Figure 5.1: 2017/18 DCF sector allocation per county

RESPONSE FUNDS DISBURSEMENTS JULY 2017 – JUNE 2018								
County	Agriculture	Coordination	Education	Health & Nutrition	Livestock	Security	Water	Grand Total
Garissa		3,657,200			46,817,200	1,325,500	5,092,200	56,892,100
Isiolo		2,326,000	9,142,050		57,911,300	2,175,200	9,044,100	80,598,650
Kajiado		1,329,700			38,196,000		543,600	40,069,300
Kilifi		283,000			1,715,600			1,998,600
Kitui		1,307,200		1,706,000			2,945,760	5,958,960
Kwale					1,077,090			1,077,090
Laikipia		3,030,100		2,212,900	22,653,350	915,000	731,600	29,542,950
Lamu					1,800,966			1,800,966
Mandera	1,186,800	2,666,850			21,374,000		5,288,720	30,516,370
Marsabit		2,542,700		1,718,800	23,085,300		10,463,500	37,810,300
Meru		570,100			784,000	1,631,000		2,985,100
Narok		319,100		1,974,500	12,245,211			14,538,811
Nyeri		273,000						273,000
Samburu		1,164,120		2,088,400	31,475,860			34,728,380
Tana River		1,130,200	2,886,500	1,035,300	42,169,200		5,115,600	52,336,800
Turkana		2,758,400			6,934,230		2,456,000	12,148,630
Wajir		517,700			29,698,300	8,369,200	5,388,800	43,974,000
Grand Total	1,186,800	23,875,370	12,028,550	10,735,900	337,937,607	14,415,900	47,069,880	447,250,007

Support to the livestock sector included ;(Provide block and updated figures)

- Kshs 228M for provision of 73,340 bags (50 kg) of drought pellets to 171,086 breeding cattle across ASAL counties.
- Kshs 8 million for distribution of 15,018 blocks of Urea Molasses Mineral Blocks (UMMB) to 17,900 heads of cattle and 19,635 sheep and goats.
- Kshs7.7M for procurement and distribution of 15,600 bales of hay to 3,120 households supporting 12,406 cattle and 20,530 sheep and goats.
- Kshs 23.4M was used to support slaughter off take in Isiolo and Tana river counties which were experiencing extreme drought situation in late 2017 where 875 cattle and 2,250 sheep and goats were slaughtered and meat distributed to 7,090 households.
- Kshs 11.8M supported the logistical gaps in livestock vaccination campaigns against the notifiable diseases.
- Kshs. 19.6M was used to support commercial destocking to stimulate the local markets to function
- Provision of subsidies to accelerate destocking was supported in Oldonyiro in Isiolo, county leading to accelerated destocking of over 250 cattle.
- Restocking of 400 cattle was supported at 2.8M in Kilifi and Kwale counties.

Water sector interventions across the ASAL counties were as follows;

- Kshs 10.9m for supply of water equipment to 79 strategic water facilities benefitting 89,000 Households, over 113,000 cattle and over 395,000 sheep and goats
- Kshs 19.9m for water trucking to communities, schools and health facilities.
- Kshs 13.1m support for emergency repairs and repair teams covering over 40 interventions benefitting over 60 water schemes and over 230,000 households
- Kshs 2.4M for fuel subsidy targeting strategic boreholes.

During the reporting period, NDMA maintained the partnership with the Kenya Defence Forces (KDF) in water trucking in Garissa, Isiolo, Laikipia, Marsabit, Tana River and Turkana counties which were experiencing acute water shortages.

Education sector: The Authority spent Kshs 12M on support to the education sector in the form of fees subsidy for 1,652 under-privileged students in 68 secondary schools in Isiolo and Tana River counties.

Health sector: An additional Kshs 10.7m went towards support to the health and nutrition outreaches in which over 40,000 children in drought-stricken counties were screened across 10,000 households.

Peace and security initiatives were funded to the tune of Kshs 14.4m in peace initiatives covering at least 23 hotspots across five ASAL counties.

5.3 Drought recovery initiatives

Drought risk management entails enhancing capacities of local communities to cope and recover from drought shocks. Drought cycle management provides the framework for identification of specific interventions within various drought cycles stages including recovery. Drought recovery activities facilitate return to normalcy after a drought episode.

Recovery activities during the reporting period were aimed at enabling communities to bounce back from the drought that affected most ASAL counties since 2016. This include;

- Kshs 2 million was allocated to Samburu County to support proposed rangeland management activities.
- Livestock restocking in Kwale, Kilifi and Lamu. 527 cattle were distributed to households in various wards in the three counties.
- Ksh 3 Million for support to livestock marketing associations in Marsabit and Samburu counties leading to increase in weekly livestock sales in Dambala Fachana, Karare, Baragoi and Moyale markets.
- Kshs 2.5Million for development of roof catchment in institutions in Laikipia and Baringo to improve water harvesting capacity during rains seasons.

6.0 KNOWLEDGE MANAGEMENT

NDMA knowledge management strategy focuses on knowledge generation, storage and systems, distribution and application, and monitoring and evaluation.

6.1 Knowledge Generation

- NDMA, in collaboration with Boku University, designed a tool which facilitated collection of data on land cover in all 23 counties for production of land cover maps. The maps will be used as reference sources in development of a livelihood zone database for generation of food security statistics.
- Two drought contingency planning and response reflection, learning and good practices workshops were held to document lessons learnt for further improvement on drought contingency planning and response.
- The Authority, in collaboration with sector ministries, development partners and other stakeholders produced and published a 5-year EDE progress report that was shared with IGAD member states for information and experience sharing.
- NDMA, in collaboration with IGAD, conducted a study on good practices under the EDE strategy.

6.2 Knowledge Storage and Systems

During the reporting period, NDMA continued to strengthen its knowledge storage systems as follows;

- Started process for development of an information sharing system (knowledge sharing platform) to enhance storage and dissemination of both internally and externally generated DRM knowledge.
- Continued use of automated online cloud-based backup for drought early warning system data.
- Integrated cash transfer monitoring tool in the early warning database to track post-payment utilisation of funds.
- Initiated upgrade of the Authority's automated drought contingency funds requisition and reporting business process to support contingency and response planning.
- Maintained a secure Hunger Safety Net Programme database and household registry for Turkana, Wajir, Marsabit and Mandera counties that is linked to the NSNP Single Registry.
- Adopted the open source Software for Processing and Interpreting Remote Sensing Image Times Series (SPIRITS) which enables rapid mapping as well as statistical plotting and interpretation of vegetation indices and their anomalies in seasonal graphs.

Regions Set: ONY
Region: Wajir-Taraj
Classes Set: No LC classif
Class: *ALL*

Sensor: NDVI VCI 3 month
Variable: average
Periodicity: *ALL*
Method: *ALL*

Type	Region	Class	Method	Threshold	Sensor	Variable	Periodicity
Table	Region	Class	Method	Threshold	Sensor	Variable	Periodicity

Total Entries: 1 Page: 1/1

Table Chart Preview Matrix Preview

Date	Mean	StdDev	Rel Area 1	Rel Area 2
2017/06/01	10.43	0.0	122995.0	0.0
2017/07/01	29.66	0.0	122995.0	0.0
2017/08/01	44.53	0.0	122995.0	0.0
2017/09/01	11.14	0.0	122995.0	0.0
2017/10/01	36.8	0.0	122995.0	0.0
2017/11/01	15.37	0.0	122995.0	0.0
2017/12/01	23.7	0.0	122995.0	0.0
2018/01/01	12.2	0.0	122995.0	0.0
2018/02/01	10.4	0.0	122995.0	0.0
2018/03/01	25.72	0.0	122995.0	0.0
2018/04/01	35.49	0.0	122995.0	0.0

Total Entries: 207

New Chart New Matrix New Scatter Add Close

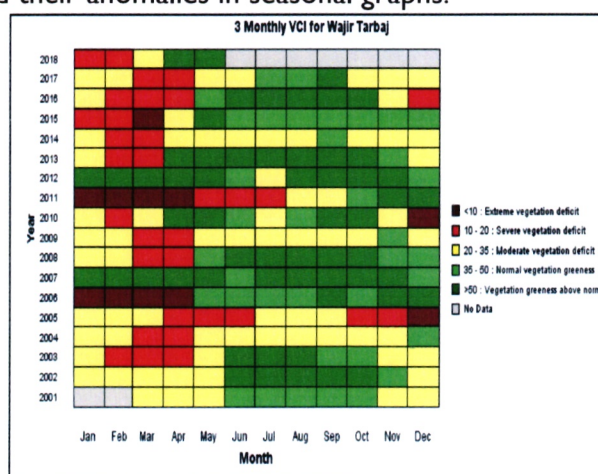


Figure 6.1: Filtered VCI 3M data for Wajir-Tarbaj (L) and VCI3M Matrix (R) for the same administrative unit using SPIRITS

6.3 Knowledge distribution and application

Information sharing is one of the key mandates of the NDMA. This information is in the form of early warning, recommended community action and ongoing interventions. Information dissemination is done through various channels and media such as the NDMA website, Twitter and a bulk email sharing platform (Mailchimp), mass media and forums/networks. During the reporting period, the following was achieved with regard to knowledge dissemination and application;

6.3.1 Awareness creation

Mass media sponsorship

- During the reporting period, NDMA entered into a partnership with Nation Media Group's NTV for sponsorship of news features on the station's Food Friday Segment to publicise the Authority's drought preparedness and response interventions. This action was informed by the fact that drought rarely attracts media coverage and when it does, journalists often go for sensational angles in reporting such as human and livestock mortalities. Even when such coverage occurs, there is very little visibility for NDMA/GoK.



Isiolo Drought Coordinator, Lordman Lekalkuli on a video grab of one of the Food Friday promos that ran on NTV.

The features focused on drought response activities in Isiolo County, including distribution of livestock supplementary feeds, water trucking and livestock destocking; Mbasya earth dam in Makueni which was established to provide water for domestic, livestock, irrigation and diversification into fish production; commercial offtake and Livestock restocking Kilifi and Kwale counties; integrated food security project in Kwale; livelihood diversification –goats breed improvement – project in Kieni, Nyeri County; and sweet potato value chain project in Meru.

The collaboration enhanced public awareness of NDMA/National Government actions in drought risk management, especially because it was aired at prime time and showcased the Authority's support to sustainable livelihoods and resilience building.

Field visits for journalists

The Authority proactively engaged individual journalists and supported field visits to ensure accurate reporting on drought status and ongoing interventions. This was aimed at ensuring that affected communities received clear messages with practical and actionable information.

Publicity events

These included county level publicity events/launches to create awareness of NDMA response activities. These were complemented by media briefs on the specific activities

E-platforms

Reached more than 2,000 subscribers of the NDMA national and county mailing lists and social media accounts.

6.3.3 Symposiums

The NDMA coordinated and participated in the 5th National Disaster Risk Reduction (DRR) symposium held in October 2017 in Kwale County. This is a knowledge sharing platform where participants drawn from academia, research institutions, UN agencies and sectors congregate to share information/learning and advice on drought risk management priority areas requiring concerted action.

6.3 Monitoring and Evaluation

a) Monitoring missions

A number of monitoring missions were carried out to track progress, document challenges and lessons learned to inform implementation of activities, projects and programmes as follows;

Joint EDE monitoring – This was done by M&E officers from all the 6 EDE pillars, with participants from NDMA, development partners, and State Departments of Agriculture, Livestock, Fisheries, Water, Irrigation, Education, Health, Interior, Special Programmes and Roads. The aim of the mission was to track county progress towards achievement of performance targets in the Common Programme Framework for Ending Drought Emergencies. Counties covered include Turkana, West Pokot, Garissa, Kitui, Meru, Tharaka Nithi, Isiolo, Marsabit, Kwale and Makueni.

Monitoring of drought preparedness projects - During the reporting period, regular monitoring was done for following capital projects;

- i. Shomela Integrated Drought Preparedness Project in Kilifi County.
- ii. Bulto Abarufa Integrated Drought Preparedness Project in Tana River County.
- iii. Mathima Integrated Drought Preparedness Project in Kitui County.
- iv. Muthanthara Integrated Drought Preparedness Project in Embu County.
- v. Mbasya Earth Dam Drought Preparedness Project in Makueni County.
- vi. Kieranthi earth dam in Tharaka County.
- vii. Kwa Diki Water Pan in Kwale.
- viii. Meru sweet potato value chain project.
- ix. Qalan Qalesa water pan in Mandera.

Monitoring of Social Accountability

NDMA and TI-Kenya conducted joint monitoring missions of the social accountability component implemented in seven counties.

Achievements include: -

- Monitoring missions in 4 counties namely Turkana west Pokot Isiolo and Marsabit. The missions were aimed at tracking progress towards integrating the social accountability component in the county government citizen participation models for purpose of sustainability and improved governance.
- The monitoring findings have informed development of a social accountability framework to mainstream citizen participation in programming.

At the request of county governments, a number of officers were trained on issues relating to social audit that will now be used for many other projects, including those funded by the County Governments.

b) Web-based M&E tool

NDMA customized a result-based online monitoring and evaluation system from IGAD's Development Indicator (DI) monitoring tool.

- 22 officers were trained on the tool to ensure real time progress reporting by various EDE partners as well as at the Authority's national and county offices. This is expected to minimize challenges with tracking progress of programmes and projects as well as improve alignment and coordination among partners.

c) Impact Evaluation

Two impact evaluations were done during the reporting period namely; Evaluation of the Hunger Safety Net Programme Phase 2 and Impact evaluation of livestock-related drought mitigation activities.

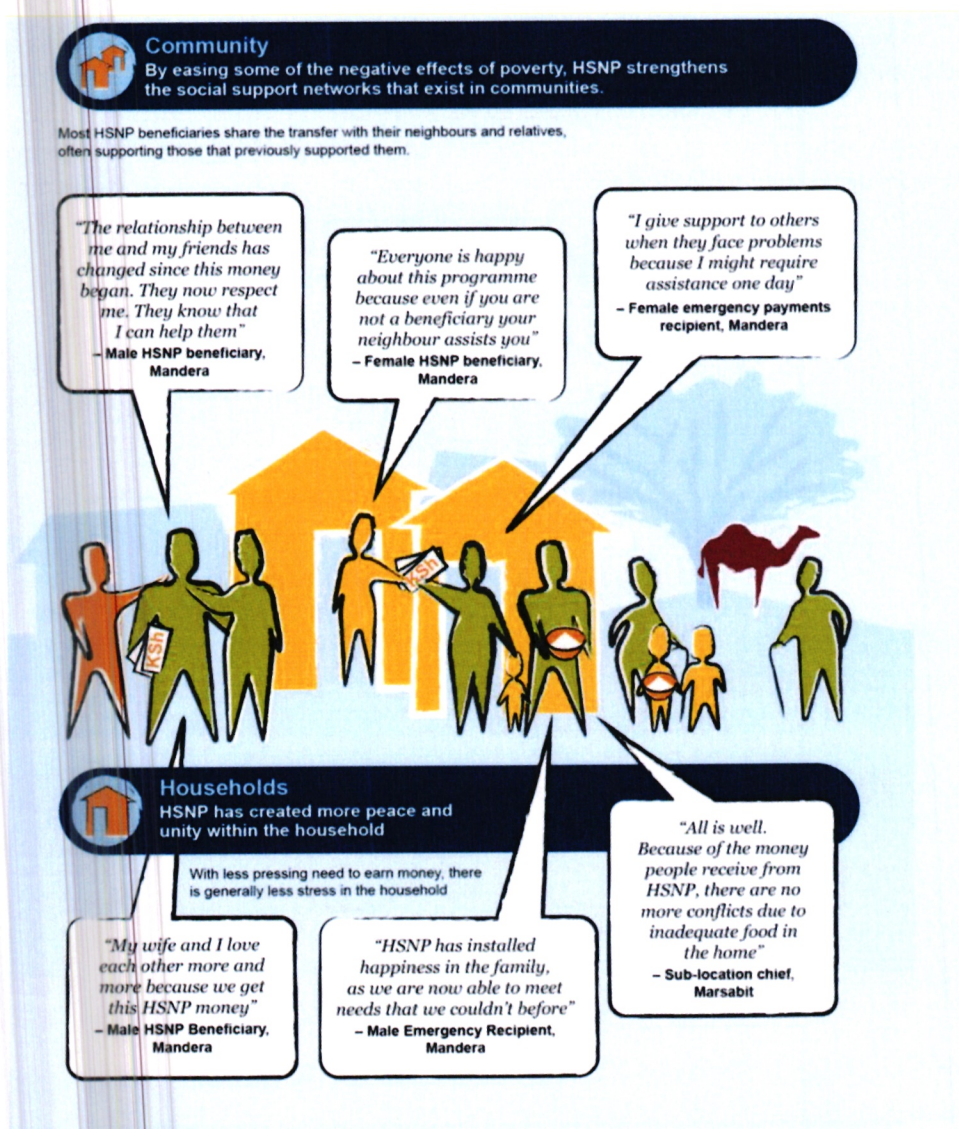
i. Evaluation of HSNP Phase 2

An independent impact evaluation of the second phase of HSNP was carried out by Oxford Policy Management during the reporting period. The evaluation noted that;

- The programme has achieved meaningful success in meeting its primary objective - the cash transfers serve as an effective safety net for the poorest, helping households that have very few other means of protecting themselves to alleviate the worst effects of poverty.
- There is a substantial 'spill-over' effect of HSNP 2, causing its impact to extend beyond its immediate beneficiaries. The considerable positive spill-over increases overall incomes in the local economy.

The positive results informed a decision to expand the coverage of HSNP, both within and beyond the current four ASAL counties. The programme has, therefore, been extended by one more year and there are plans to expand to six more counties in the next phase.

Figure 6.2: How HSNP strengthens existing social support networks in communities. (Source: Evaluation of the Kenya Hunger Safety Net Programme Phase 2, March 2018)



ii) Impact evaluation of livestock-related drought mitigation activities

An impact assessment conducted during the reporting period shows that livestock-related drought mitigation interventions implemented under the Drought Contingency Fund project were effective in saving livestock assets.

- Beneficiaries interviewed in six counties observed that provision of the livestock feed supplements (range-cubes and UMMBs) was the most relevant and appropriate intervention as it protected their productive assets assuring them of their livelihoods after the drought.
- The feeds supplied were also noted to have had an immediate impact on moribund/recumbent stock, thus saved livestock from imminent death.
- The slaughter de-stocking intervention in 12 counties was viable as it salvaged livestock that had lost their commercial value due to poor body condition.
- The slaughter de-stocking injected much-needed cash into the local economies at such a time when the pastoralists could not market their livestock due to poor body condition or collapsed market systems.
- The meat from the slaughtered livestock was distributed amongst the poor and vulnerable households, improving their nutritional status.

- Vaccination of livestock against endemic diseases by NDMA and other partners played a pivotal role in protecting vaccinated livestock from succumbing to diseases brought about by crowding of livestock from different areas at watering points or dry grazing areas.
- Most pastoralists noted that the drought was better managed than any other previous drought response initiatives. This observation was also echoed by several humanitarian agencies.

7.0 RESOURCE MOBILISATION AND PARTNERSHIPS

The Authority deployed a four-pronged approach to resource mobilisation as follows:

7.1 National Treasury budget allocation

The Authority continued to actively participate in national budget and planning processes. The allocation to the Authority grew from Kshs 4.7 billion in 2016/17 to Kshs 5.8 billion in 2017/18. The development budget represented 90 % of all allocation of which 48 % was from development partners. The allocation to regular and shock responsive cash transfer represented 81% of all the development expenditure. The recurrent budget dropped from Kshs 629 million to Kshs 594 million during same period.

7.2 Project support

a) Ongoing projects

During the reporting period, the Authority continued to receive support from some of its key strategic development partners namely, EU, DFID and WFP.

- The EU continued to support the Authority through the EDE-Support to Drought Risk Management & Coordination project which focuses on drought preparedness, response and strengthening of ASAL transformative institutions. This included Kshs 219 million for shock responsive cash transfers in the four counties based on drought severity informed by pre-agreed drought status triggers and thresholds.
- DFID supported the HSNP phase 2 (2013-2017) with a two-year extension in readiness for a third phase.
- The Authority in partnership with WFP targeted 14 ASAL counties² through the Protracted Relief and Rehabilitation Operation (PRRO) programme, benefiting 774,000 beneficiaries.

(Total amount for all the FLA+I 65m for NDMA)

b) Upcoming projects/project proposals

- Extension of HSNP 2 will pave way for the DFID/WB/GoK-funded third phase under the broader Kenya Social and Economic Inclusion Project (KSEIP). This will see the programme expand to cover an additional 6 counties.
- The Authority finalized and submitted proposals for two projects for funding, namely;
 - (i) Ending Drought Emergencies: Support to Resilient Livelihoods and Drought Risk Management. The 30 million Euro project received support from EU and will be implemented beginning 2018/19 financial year.
 - (ii) Ending Drought Emergencies: Ecosystem Based Adaptation in Kenya's Arid and Semi-Arid Rangelands project proposal was submitted to Green Climate Fund. The NDMA implemented component is expected to be USD 5.3 million while other components will be implemented by State Department of Livestock and International Union for Conservation of Nature (IUCN).

7.3 Resource mobilisation for drought response

a) Fiscal risk management framework

² Turkana, Baringo, Tana River, Kwale, Kilifi, Marsabit, Tharaka Nithi, Samburu, Isiolo, Garissa, Mandera, Taita-Taveta, Kitui, Makueni

Kenya is moving towards a more strategic approach to the financing of disaster response (including drought) to facilitate rapid mobilisation of funds for relief efforts to reduce humanitarian and development impacts in the event of a disaster.

During the reporting period, NDMA participated in strengthening the Government Disaster risk financing instruments including development of a Disaster Risk Financing Strategy (DRFS) led by the National Treasury. The strategy will facilitate access to a Kshs 20 Billion World Bank credit line under the Catastrophe Differed Drawdown Option (Cat-DDO) in the event of prolonged and wide spread natural hazards. The strategy will increase the financial resilience of the Government and communities against natural disasters such as recurrent droughts.

b) Mobilisation through coordination structures

Drought coordination committees were instrumental in mobilising resources for drought response during the period under review. The structures facilitated identification of resource requirements and gaps and resource mobilisation from Government and partners. The resource requirements and gaps were based on county drought contingency plans and national level priority needs.

- During the reporting period the National Treasury allocated Kshs 8 billion to relevant sectors/State Departments.
- NDMA through European Union-funded Drought Contingency Fund disbursed Kshs 447 million to support drought response activities identified by sectors in 17 drought affected counties.
- The Authority disbursed **Kshs 435 million** from the EU and DFID as shock responsive (drought) cash transfers to cushion vulnerable households in Wajir, Mandera, Marsabit and Turkana counties.
- Through the coordination framework, counties set aside funds for key interventions such as water trucking, drilling/equipping of boreholes, health and nutrition, livestock off-take and provision of food relief.

7.4 Other Partnerships

The NDMA continued seeking partnership with county governments in line with the provisions of NDMA Act and Fourth Schedule of the constitution (devolved functions - water, agriculture & livestock and health and sanitation) to deliver on its core mandate. This includes collaboration with emerging regional economic blocs such as the Frontier Counties Development Council (FCDC) in the mainstreaming of DRM into the second generation CIDPs and inter-county linkages to end drought emergencies.

Other institutional support to the Authority during the period was provided by USAID and JICA.

8.0 CHALLENGES AND RECOMMENDATIONS

Challenges

- Inadequate support for county DRM priorities/requests.
- Coordination of drought preparedness and response activities still requires strengthening for more effective drought risk management.
- Documentation of DRM good practices remains poor across the counties.

Recommendations for strategic improvements

- There is need to sustain resource mobilisation and partnerships and both national and county levels to address resources gaps.
- Continued strengthening of drought coordination structures at both all levels is important for better results.
- Both levels of Government need to engage each other and build synergies in planning and implementation of drought risk management activities for purposes of resilience building.
- The need to strengthen the link between developed contingency plans and County Integrated Development Plans.
- NDMA needs to strengthen its capacity on the necessary logistics like rehabilitation of the trucks in good time in readiness for response.
- Documentation need to be integral part of preparedness and response.

PART TWO: ANNUAL ACCOUNTS

FINANCIAL MANAGEMENT AND ACCOUNTS

Statement of Management Board Responsibilities

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

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

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

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

Approval of the financial statements

The Financial Statements set out on pages 1 to 20 were approved on behalf of the Board on 28th September 2018 and thus this initial draft signed on behalf of the board by:

[]

Chairperson

[]

Chief Executive Officer

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL DROUGHT MANAGEMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Drought Management Authority set out on pages 2 to 26, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of National Drought Management Authority as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Property, Plant and Equipment

As reported in the previous year, the property, plant and equipment balance of Kshs.313,718,844 (2016/2017-Kshs.338,186,155) as at 30 June 2018 includes assets revalued by the Authority in the financial year 2016/2017 from Kshs.637,151,088 to Kshs.361,849,239 which has formed the basis of the current year opening balances of Kshs.338,186,155 reported on note 17 to the financial statements. However, the revaluation report provided did not contain the certificate of the valuation professional who were involved in the exercise including the declaration that the figure can be used for accounting purpose and as a result, the validity of the valuation report could not be ascertained.

Consequently, the completeness and accuracy of the property, plant and equipment balance of Kshs.313,718,844 as at 30 June 2018 as reflected on the statement of financial position could not be ascertained.

Report of the Auditor-General on the Financial Statements of National Drought Management Authority for the year ended 30 June 2018

2. Cash and Cash Equivalents Balance

The statement of financial position as at 30 June 2018 reflects cash and cash equivalents balance of Kshs.2,236,884,106 which as detailed on note 14 to the financial statements excludes unknown amount of cash held at the EDE-DRMC Project bank account.

Consequently, the accuracy and completeness of the cash and cash equivalents balance of Kshs.2,236,884,106 as at 30 June 2018 could not be confirmed.

3. Unutilized Balances from Counties

The statement of financial position reflect Kshs.51,570,966 in respect of receivables from non-exchange transactions which includes Kshs.12,345,792 relating to county debtors ledger. The amount relates to imprest disbursed to county offices for various activities and which remained unaccounted for as at 30 June 2018. However, the reconciled cash book balances for six counties did not agree with the financial statements as detailed below:

S/No.	Name of County	Balance for Cash Book (Kshs.)	Balance for Trial Balance (Kshs.)	Difference (Kshs.)
1.	Kilifi	237,794	173,581	64,213
2.	Embu	251,414	99,433	151,981
3.	Wajir	841,577	566,670	274,907
4.	Turkana	267,697	399,917	(132,220)
5.	Samburu	53,593	29,482	24,111
6.	Baringo	48,850	5,914	42,936
	TOTAL	1,700,925	1,274,997	425,928

Consequently, the accuracy of the unutilized balances from counties totalling Kshs.12,345,792 as at 30 June 2018 could not be ascertained.

4. Payables

Note 18 to the financial statements includes an amount of Kshs.16,808,278 in respect of payables (EDE-DRMC) as at 30 June 2018. Documentation available for audit indicated the amount to be in respect of internal borrowing of EDE-DRMC project monies for use in Authority's operations. However, although the amount borrowed and demanded by the project amounted to Kshs.20,827,689.6, no explanation has been provided as to why the difference of Kshs.4,091,411 has not been processed in the accounting records.

Further, the internal borrowing from the EDE-DRMC project has no corresponding receivables in the accounting records even though the amount was subsequently repaid to the project bank account in August 2018.

Consequently, the accuracy and completeness of the other payables (EDE-DRMC) balance of Kshs.16,808,278 could not be ascertained as at 30 June 2018.

5. National Drought Emergencies Fund

The Authority received Kshs.2,000,000,000 from the Government on behalf of National Drought Emergency Fund (NDEF) in 2016/2017 financial year. The Fund is supposed to be independently managed and operated by the Chief Executive Officer of the National Drought Management Authority who is also supposed to prepare and present financial statements of

Report of the Auditor-General on the Financial Statements of National Drought Management Authority for the year ended 30 June 2018

the Fund to the Auditor General for audit at the end of every financial year. However, no financial statements of the Fund have been prepared and submitted for audit for the two years the Authority has held the money.

Further, the balance of amounts owed to NDEF has increased by Kshs.51,603,820 from the balance of Kshs.2,000,137,938 reported in the previous but no documentation in support of this increase have been provided for audit review. Although the income relates to interest earned from the amount, no documentation to support the rate on the interest earned which is evidently lower than the minimum interest rate set by the banking (Amendment) Act, 2016 which has been in place throughout the year under review.

In addition, maintenance and operation of the Fund has not been done in line with the provision of National Drought Act, 2016 as no accounting records have been maintained in respect of the Fund. The management is therefore in breach of the law with regard to the operation and management of the fund.

In consequence, the accountability of the Fund of Kshs.2,000,000,000 together with interest/income on the amount could not be ascertained as at 30 June 2018.

6. Extra Revenue-Funds Received from Food and Agriculture Organization (FAO)

The statement of financial performance and note 6 (a) to the financial statements reflect extra revenue of Kshs.4,648,400 which includes an amount of Kshs.3,192,000 as funds received from Food and Agriculture Organisation in support of collection of animal feeds resources data. However, the letter of agreement and supporting documents provided for audit verification indicated that the agreed funding was for an amount of Kshs.3,990,000 resulting in a difference of Kshs.798,000. Further, although the amount had not been received by 30 June 2018, no corresponding receivable has been recorded in the financial statements.

Consequently, the accuracy of the extra revenue balance of Kshs.4,648,400 for the year ended 30 June 2018 could not be ascertained.

7. Accrued Expenses

Trade and other payables balance of Kshs.2,146,461,468 includes an amount of Kshs.74,565,276 detailed on note 18 to the financial statements as accrued expenses. However, documentation in support of the accrued expenditure provided for audit review had the following issues:

- i. Accrued expenditure for Kshs.70,000,000 in respect of cash transfers for Mandera and Wajir counties to cover 25,926 households were ultimately paid in October 2018 as Kshs.50,182,200 (Kshs.22,788,000 – Mandera and Kshs.27,394,200 – Wajir) and covering 9293 households. The variance in amounts paid and the households covered has not been explained.
- ii. The supporting documents for the composition of Kshs.2,600,000 gratuity was not provided as details of entitlement for each staff on contract as at 30 June 2018 were not made available for audit scrutiny.
- iii. Supporting documents and explanation for opening balance liability of Kshs.1,616,813 were not produced for audit review.

- iv. Further, the balance per the ledger provided for audit review was Kshs.74,652,938 resulting in a difference of Kshs.87,662 that was not explained or reconciled.

Under the circumstances, the accuracy of the accrued expenses as at 30 June 2018 of Kshs.74,565,276 could not be ascertained.

8. Unconfirmed Beneficiary Payments

During the year under review, the National Safety Net Program made transfer payments to Equity Bank service provider for onward transmission to beneficiaries. However, the management did not provide bank statements relating to the funds transfers to the beneficiaries under the Hunger Safety Net Programme for audit review. As a result, it was not possible to confirm the balances Kshs.2,119,239,700 and Kshs.2,744,213,700 reflected in the financial statements relating to the Government of Kenya and Donor funding respectively for the program.

Consequently, the propriety, accuracy and validity of the payments of Kshs.4,863,453,400 to beneficiaries together with the accuracy and completeness of the cash and cash equivalents balance as at 30 June 2018 could not be ascertained.

9. Expenses on Hunger Safety Net Programmes

The Hunger Safety Net Programmes received an amount of Kshs.2,744,213,700 (2016/2017-Kshs.1,742,691,022) as public contribution and donations and an amount of Kshs.2,490,500,000 (2016/2017-Kshs.2,496,000,000) as conditional grant as shown in note 3 and 4 of the financial statements respectively. The expenditure in relation to these receipts as reflected on note 12 on the financial statements are Kshs.2,744,213,700 (2016/2017-Kshs.1,742,691,022) and Kshs.2,305,114,632 (2016/2017-Kshs.2,312,626,824) respectively showing an unexplained balance of Kshs.185,385,368 yet the balance of cash in the bank account is only Kshs.108,208,844. Although the expenditure and the receipts are based on the requisitions made to fund various activities, the accountabilities documentation in support of the expense have not been availed for audit verification. Further, the Hunger Safety Net Programme GOK and Donor Programme expenditure of Kshs.5,049,328,332 (2016/2017-Kshs.4,055,317,846) that comprised of payment to various beneficiaries did not have a documentation to support the basis of how the various beneficiaries were identified and the basis of the rates used for paying the beneficiaries was not supported either.

Consequently, the propriety and validity of the payments of Kshs.5,049,328,332 to beneficiaries together with the accuracy and completeness of the cash and cash equivalents balance as at 30 June 2018 could not be ascertained.

10. Board Committees

As reported in the previous year, the audit committee of the Board is made up of three members two of whom are also in the finance committee of the Board which has four members. Under the circumstance, the effectiveness of the audit committee in checking the actions and decisions of the finance committee is impaired since the membership of the two committees has over fifty per cent being common.

11. Unresolved Prior Year Issues

13.1 Unutilized Balances from Counties

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

13.2 Donor Related Funded Activities

(i) Unreconciled Donor Related Expenses

Note 3, 4 and 12 of the financial statements reflects the following amounts/ balances for donor related funded activities:-

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

The variances were not explained, hence the accuracy of reported donor related funded activities expenses could not be confirmed.

(ii) Expenses on Drought Contingencies Fund-Kshs.435,913,831

Disclosed in Note 12 on the financial statements report a figure of Kshs.435,918,831 which is also indicated as a receipt on Note 4. The expenditure has been captured based on disbursements made after requisition. However, the basis of the requisition has not been supported by necessary documentation justifying the extent of the fund required to undertake the given interventions. The request for disbursement from National Drought Management Authority county offices has not been supported with the necessary accountability documents which should have formed the basis of capturing the expenditure in the accounting records. In the circumstances the expense of Kshs.435,918,831 cannot be authenticated.

(iii) Expenses on Ending Drought Emergencies Kshs.721,197,415

Note 12 on the Financial Statement report a figure of Kshs.721,197,415 which also is reported a receipt on Note 4. The expenditure has been captured based on disbursements made after requisition. However, the basis of the requisition has not been supported by necessary documentation justifying the extent of the fund required to undertake the given interventions. The utilization of disbursements to National Drought Management Authority county offices has not been supported with the necessary accountability documents which should have formed the basis of capturing the expenditure in the accounting records.

13.3 Pension Scheme Expenses

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

13.4 Unsupported Expenditure

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

Expense Category	Amount Kshs.
Employee Costs-Travel Costs (Domestic)	4,846,350
Donor related funded Activities (Gok)	
(i) DCFP (GOK)	8,064,923
(ii) UNDP	7,009,634
(iii) WFP	872,950
Total	20,793,857

The validity of the above expenditure totaling of Kshs.20,793,857 cannot be confirmed under the circumstances.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC MONEY

Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matter described in the Conclusion on Compliance and Effectiveness section of my report, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

My responsibility is to express a conclusion based on the review. The review was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the review so as to obtain limited assurance as to whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them.

A review is limited primarily to analytical procedures and to inquiries, and therefore provides less assurance than an audit. I have not performed an audit, and, accordingly, express my conclusion in the form of limited assurance, which is consistent with the more limited work I have performed under this compliance review.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

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

My responsibility is to express a conclusion based on the review. The review was conducted in accordance with ISSAI 1315. The standard requires that I plan and perform the review so as to obtain limited assurance as to whether effective processes and systems of internal control, risk management and governance was maintained in all material respects.

The matters reported are limited to the deficiencies identified during the audit that I have concluded are material to be reported. I have not performed an audit, and, accordingly, express my conclusion in the form of limited assurance, which is consistent with the more limited work I have performed under this review.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion with limited assurance as to whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material

weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Secretariat to cease to continue as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Secretariat to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

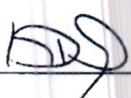
Nairobi

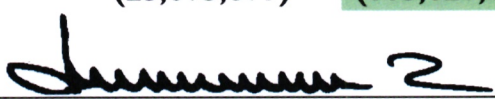
26 August 2019

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended June 30, 2018

	Note	2017-18	2016-17
Revenue from non-exchange transactions			
Public contributions and donations	3	3,858,592,007	3,008,156,848
Transfers from other governments – gifts and services-in-kind	4	3,284,875,071	3,220,875,070
		7,143,467,078	6,229,031,918
Revenue from exchange transactions			
Rental revenue from facilities and equipment	5	233,500	908,223
Other income- Bank Interest earned	6	6,983,833	6,180,833
Extra revenue	6a	4,648,400	0
		11,865,733	7,089,056
Total revenue		7,155,332,812	6,236,120,974
Expenses			
Employee costs	7	586,000,352	639,897,541
Remuneration of Board members	8	15,917,545	25,398,861
Depreciation and amortization expense	9	50,399,382	58,942,591
Repairs and maintenance	10	34,476,482	38,133,611
General Expenses	11	160,211,541	126,751,311
Donor-activities' related costs	12	6,329,893,097	5,459,071,912
Other expenses	12a	2,546,152	0
Bank charges (Finance costs)		961,939	952,230
Total expenses		7,180,406,491	6,349,148,057
Deficit for the period		(25,073,679)	(113,027,083)

[]
Chairperson

[]
Chief Executive Officer

Date... 28.09.18

Date... 28.09.18

STATEMENT OF FINANCIAL POSITION

	Notes	2017-2018	2016-17
Assets			
Current assets			
Cash and cash equivalents	14	2,236,884,106	2,129,935,841
Receivables and prepayments	15	51,570,966	50,711,946
Inventories	16	3,272,421	4,025,234
		2,291,727,493	2,184,673,021
Non-current assets			
Property, plant and equipment	17	313,718,844	338,186,155
Total assets		2,605,446,337	2,522,859,176
Liabilities			
Current liabilities			
Trade and other payables	18	2,146,461,467	2,037,398,918
Net assets		458,984,870	485,460,257
Financed By			
Capital fund		366,061,900	366,338,881
Accumulated surplus		92,922,970	119,121,376
Total net assets and liabilities		458,984,870	485,460,257

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Chairperson

Date 28.09.18

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Chief Executive Officer

Date 28.09.18

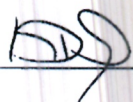
STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30 June 2018

	Accumulated Fund Kshs	General Reserve Kshs	Total Kshs
Balance as at 01 JULY 2016	615,491,122	232,148,459	847,639,581
Transfers to/from accumulated Deficit	(249,152,241)	(113,027,083)	(362,179,324)
Balance as at 30 JUNE 2017	366,338,881	119,121,376	485,460,257
Balance as at 01 JULY 2017	366,338,881	119,121,376	485,460,257
Transfers to/from accumulated surplus	0	(25,073,679)	(25,073,679)
Prior year adjustment - gratuity expenses	-	(1,083,681)	(1,083,681)
Loss on unrealised receivables/ & assets	(276,981)	(41,046)	(318,027)
Balance as at 30 JUNE 2018	366,061,900	92,922,970	458,984,870

NB:

Transfers to/from accumulated surplus: The figure has been adjusted downwards as a result loss on disposal of assets and unrealizable County balances during ALRMP II. The same were initially credited on capital fund.

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Chairperson

Date.....28.09.18.....

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Chief Executive Officer

Date.....28.09.18.....

STATEMENT OF CASH FLOWS

	Notes	2017-18 Kshs	2016-17 Kshs
Cash generated from operations:			
Surplus for the Year		(25,073,679)	(113,027,083)
add			
Depreciation	17	50,399,382	58,942,591
Net Cash generated from operations:		25,325,704	(54,084,492)
Changes in Working Capital			
Increase/decrease in inventories	16	752,812	(1,566,982)
Increase/decrease in receivables-non exchange	15	(859,020)	93,249,068
Increase/decrease in other payables and accruals	18	109,062,549	1,950,425,050
Prior year adjustment - gratuity liability payment		(1,083,681)	-
Net changes in working capital		107,872,660	2,042,107,136
Net cash generated from Operating Expenses		133,198,364	1,988,022,644
Cashflows from Investing Activities			
Buildings		(165,358)	-
Computer and Accessories		(5,590,848)	(7,285,722)
Furniture and fixtures		(1,894,593)	(1,844,177)
Vehicle		(31,874,320)	-
Disposal/sale of assets		13,552,001	-
Net cash used in Investing Activities	18	(25,973,118)	(9,129,899)
Cashflows from Financing Activities			
Share capital reduction		(276,982)	-
Net Cashflows from Financing Activities		(276,982)	
Increase / (decrease) in cash and cash equivalents		106,948,264	1,978,892,745
Movement in cash and cash equivalents			
At start of year		2,129,935,842	151,043,097
At end of year-recurrent		2,236,884,106	2,129,935,842
At the end of the year		2,236,884,106	2,129,935,842

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Chairperson

Date... 28-09-18

[]

Chief Executive Officer

Date... 28-09-18

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Notes	Remarks
Revenue	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	3	
Public contributions and donations Revenue	125,233,109	-29,336,862	95,896,247	95,896,247	(0)	3	
Public contributions and donations AIA	2,847,000,000	915,213,700	3,762,213,700	3,762,695,760	(482,060)	3	
Government grants and subsidies (recurrent)	589,875,071	50,000,000	639,875,071	639,875,071	-	4	
Government grants and subsidies (development)	2,807,000,000	-194,000,000	2,613,000,000	2,645,000,000	(32,000,000)	4	a
Tender sale & disposal income	10,000,000	-10,000,000	0	138,000	(138,000)	6	b
Interest income	5,000,000	0	5,000,000	6,845,833	(1,845,833)	6	c
Rental revenue	300,000	0	300,000	233,500	66,500	5	d
Extra revenues (ZEF & FAO)	0	4,648,400	4,648,400	4,648,400	-	6a	
Total Income	6,384,408,180	736,525,238	7,120,933,418	7,155,332,812	(34,399,394)		
Expenses							
Compensation of employees (NDMA)	449,707,448	16,443,826	466,151,274	464,712,594	1,438,680	7	e
Compensation of employees (NDMA)- Gratuity	8,861,460		3,907,950	2,668,272	1,239,678	7	f
Utility expenses	5,200,001	44,014	5,244,015	4,226,641	1,017,374	11	g
Communication costs	28,210,000	-5,924,848	22,285,152	18,454,975	3,830,177	11	h
Travelling & Accommodation (domestic)- Recurrent	0	7,000,000	7,000,000	6,966,405	33,595	7	
Travelling & Accommodation (domestic)- HSNP	53,381,086	-5,197,280	58,578,366	58,096,995	481,371	7	i
Travelling & accommodation (foreign)	4,581,086	309,522	4,890,608	3,877,805	1,012,803	7	j
Publishing, printing, advertising & subscriptions	5,679,200	142,602	5,821,802	4,970,992	850,810	11	k
Rent paid	25,558,512	-964,496	24,594,016	24,193,749	400,267	11	
Training expenses	18,500,000	2,084,412	20,584,412	19,566,384	1,018,028	11	

Board	19,932,000	-1,232,985	18,699,015	15,917,545	2,781,470	8	<i>l</i>
Medical insurance (NDMA, HSNP, & WFP	58,640,000	200,713	58,840,713	45,740,093	13,100,620	7	<i>m</i>
Group life Insurance (GPI)	4,595,044	0	4,595,044	3,938,188	656,857	7	<i>n</i>
Goods, supplies HSNP	15,712,434	6,092,703	21,805,137	12,785,357		11	
Goods, supplies WFP	1,500,000	0	1,500,000	1,363,724		11	
hospitality	4,280,000	53,181	4,333,181	4,961,817	(628,636)	11	<i>o</i>
Fuel & lubricants	26,271,000	-12,904,310	13,366,690	13,048,964	317,726	11	
Membership fees	1,324,291	48,609	1,372,900	579,416	793,484	11	<i>p</i>
Contracted guards& cleaning Services Costs	8,306,400	64,852	8,371,252	8,553,545	(182,293)	11	
Finance (NDMA, HSNP &EDE)	2,282,000	-952,812	1,329,188	961,939	367,249		<i>q</i>
Audit fees	1,120,000	40,000	1,160,000	1,160,000	-	11	
Motor vehicle maintenance	29,000,000	239,339	29,239,339	27,016,896	2,222,443	10	
Motor vehicle insurance	3,121,406	0	3,121,406	1,319,454	1,801,952	11	<i>r</i>
Depreciation	0	0	0	50,399,382	(50,399,382)	9	<i>s</i>
Maintenance of Other Assets	6,000,000	2,275,356	8,275,356	7,459,586	815,770	10	<i>t</i>
Drought cordination response (DCR)	0	48,782,202	48,782,202	45,026,523	3,755,679	11	
Donor related activities-AIA (HSNP)	2,000,000,000	744,213,700	2,744,213,700	2,744,213,700	-	12	
Donor related activities-AIA (EDE)	847,000,000	171,482,060	1,018,482,060	1,018,482,060	-	12	
Grants and subsidies	2,740,344,812	-116,821,572	2,623,523,240	2,567,197,337	56,325,903	12	
Extra expenses (ZEF & FAO)	0		4,648,400	2,546,152	2,102,248	12a	<i>u</i>
Total expenditure	6,369,108,180	950,164,194	7,230,068,018	7,180,406,491	49,661,527		
Surplus for the period	15,300,000	-213,638,956	-109,134,600	(25,073,679)	(84,060,921)		

NATIONAL DROUGHT MANAGEMENT AUTHORITY DRAFT FINANCIAL STATEMENTS
AND ANNUAL REPORT FOR THE YEAR ENDED 30TH JUNE 2018

Explanation of budget versus actuals

- a) Increase in government grants was as a result of additional funds to respond to the prolonged severe drought.
 - b) Increase on tender sale was as a result of most tenderers buying tender documents though the same was not foreseen. Tenderers are supposed to download documents from the Authority's website free at cost.
 - c) Interest income increased as a result of prolonged cash held at the bank for cash transfer since the donor opted to pay one cycle in advance of the Authority.
 - d) Rental revenue decreased as result of the Moyale guest house not been occupied as it was under renovation.
 - e) Under expenditure was as a result of some members of staff who had retired and no replaced had been done.
 - f) Under expenditure of gratuity was caused by extension of service to some employees who were meant to retire during the year under audit.
 - g) Utility was allocated based on foreseeable escalation of rates
 - h) Communication expenses cost expense was under-utilized since the authority had planned to relocate to new offices at Bazaar building during the year under audit which did not materialize.
 - i) Domestic travel was not fully utilized as most staff held field activities on other areas where allowances are less.
 - j) Foreign accommodation was based on planned activities that didn't materialize.
 - k) Publishing and printing expense was not fully utilized as some documents earmarked for printing were not done as the procurement process was not completed on time.
 - l) Board expense had initially factored the expected additional board members who did not join the Authority during the year under audit.
 - m) Medical expenses had factored for the board members who did not join the authority during the year under audit
 - n) Group life had been provided to include the members of staff who were to replace the retired.
 - o) Hospitality expenses increased since the institution had to hold more meetings due to the severe drought period.
 - p) Membership fee was not fully utilized since the institution had initially expected more staff to register with their professional bodies.
 - q) Finance costs was under-utilized since the Authority embraced the online transacting which is cheaper.
 - r) Motor vehicle maintenance and insurance was as a result of authority expecting additional vehicles that were to be procured by the national safety programme
 - s) The depreciation expense was not budgeted since it's a non-cash item
 - t) Maintenance costs expense was not fully utilized since the Authority had initially planned to move to a new office.
 - u) The funds for FAO were received late into the year-end hence the minimal expenditure
- DCR under expenditure was as a result of fund that were received late in the year

NOTES TO THE FINANCIAL STATEMENTS

Statement of compliance and basis of preparation

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

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

Summary of significant accounting policies

Revenue recognition

Revenue from non-exchange transactions

Transfers from other government entities

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

Tender sale income

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

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

Interest income

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

Rental income

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

NATIONAL DROUGHT MANAGEMENT AUTHORITY DRAFT FINANCIAL STATEMENTS
AND ANNUAL REPORT FOR THE YEAR ENDED 30TH JUNE 2018

Budget information

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

Property, plant and equipment

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

Depreciation Policy

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

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

Inventories

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

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

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

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

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

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

Provisions

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

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

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

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

Contingent liabilities

The Authority does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. Nothing has come to the attention of the Authority that there is any likely of a contingent liability to occur.

NATIONAL DROUGHT MANAGEMENT AUTHORITY DRAFT FINANCIAL STATEMENTS
AND ANNUAL REPORT FOR THE YEAR ENDED 30TH JUNE 2018

Contingent assets

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

Nature and purpose of reserves

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

Changes in accounting policies and estimates

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

Employee benefits

Retirement benefit plans

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

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

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

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

Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of reporting the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the

NATIONAL DROUGHT MANAGEMENT AUTHORITY DRAFT FINANCIAL STATEMENTS
AND ANNUAL REPORT FOR THE YEAR ENDED 30TH JUNE 2018

exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise. During the financial year, the Authority did not deal with foreign exchange; neither does the Authority operate a foreign bank account.

Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance. The Authority did not enter into any borrowing transactions during the year under audit.

Related parties

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

Key management compensation:

	2017-18	2017-18
Directors	8,168,333.00	9,802,000.00
Managers	18,843,067.00	18,294,240.00
TOTAL	27,011,400.00	28,096,240.00

N.B: Please note that the amount of Kshs. 27,011,400.00 disclosed above relate salaries paid to top management staff of the organization. These were paid through the monthly payrolls and forms part of the employee related costs figure of **Kshs. 414,439,945** on note number 7.

Service concession arrangements

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

NATIONAL DROUGHT MANAGEMENT AUTHORITY DRAFT FINANCIAL STATEMENTS
AND ANNUAL REPORT FOR THE YEAR ENDED 30TH JUNE 2018

recognized, the Authority also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

Cash and cash equivalents

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

Comparative figures

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

Significant judgments and sources of estimation uncertainty

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

Estimates and assumptions

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

Useful lives and residual values

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

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

NATIONAL DROUGHT MANAGEMENT AUTHORITY DRAFT FINANCIAL STATEMENTS
AND ANNUAL REPORT FOR THE YEAR ENDED 30TH JUNE 2018

- Changes in the market in relation to the asset

Provisions

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

Subsequent events

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

3. Public contributions and donations

	2017-18	2016-17
	Kshs	Kshs
Receipts for UNDP projects (Revenue)	14,724,109	-
Receipts from WFP (Revenue)	81,172,138	110,000,000
Receipts from HSNP (donor-AIA)	2,744,213,700	1,742,691,022
Receipts from DCFP (donor -AIA)	-	435,913,831
Receipts from EDE-DRMC (donor -AIA)	1,018,482,060	719,551,995
Total transfers and sponsorships	3,858,592,007	3,008,156,848

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

	2017-18	2016-17
	Kshs	Kshs
Unconditional grants		
Operational grant	639,875,071	607,875,070
	639,875,071	607,875,070
Conditional grants		
World Food Programme	55,000,000	55,000,000
Hunger Safety net Programme	2,490,500,000	2,496,000,000
Kenya Rural Development Programme	30,000,000	30,000,000
Drought Contingency funds	19,500,000	32,000,000
EDE-DRMC	50,000,000	-
	2,645,000,000	2,613,000,000
Total government grants and subsidies	3,284,875,071	3,220,875,070

5. Rental revenue from facilities and equipment.

	2017-18	2016-17
	Kshs	Kshs
Rental Income	233,500	908,223
Total rentals	233,500	908,223

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6. Other income

	2017-18	2016-17
	Kshs	Kshs
Tender/Disposal sale income	124,000	20,000
Miscellaneous Income	14,000	53,504
Interest on bank balances - Gross	7,995,299	7,184,462
Tax in interest Withheld	(1,149,465)	(1,077,133)
Total other income	6,983,833	6,180,833
6a. Extra Revenue		
ZEF funds	1,456,400	-
FAO funds	3,192,000	-
Total extra revenue	4,648,400	-
 Grand Total income	 7,155,332,812	 6,236,120,974

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7. Employee costs

	2017-18	2016-17
	Kshs	Kshs
Employee related costs - salaries and wages (NDMA)	414,521,445	378,777,408
Employee related costs - contributions to NSSF	745,800	811,650
Employee related costs - contributions to Pension	49,262,399	140,852,096
Employee related costs - contributions to NITA	182,950	181,000
Employee related costs - gratuity	2,668,272	7,410,593
Employee related costs - pension	-	1,075,400
Medical Insurance-NDMA	45,740,093	45,688,789
Group personal Insurance	3,938,188	5,180,813
Travel costs (domestic)-HSNP	58,096,995	50,828,499
Travel costs (domestic)-Recurrent	6,966,405	
Travel costs (foreign)	3,877,805	9,091,293
Employee costs	586,000,352	639,897,541

8. Remuneration of Board Members

	2017-18	2016-17
	Kshs	Kshs
CEO's Remuneration	5,602,000	5,778,572
Honoraria	-	480,000
Allowances	4,672,070	7,551,571
Domestic Travel	4,822,925	2,074,822
Foreign Travel	-	8,983,896
Training expense	820,550	510,400
Telephone expenses	-	19,600
Total Board expenses	15,917,545	25,398,861

9. Depreciation and Amortization Expense

	2017-18	2016-17
	Kshs	Kshs
Depreciation Charge for the Year	50,399,382	58,942,591
	50,399,382	58,942,591

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10. Repairs and maintenance

	2017-18	2016-17
	Kshs	Kshs
Property & Buildings	3,827,100	6,852,623
Plant & Equipment	2,534,364	3,595,015
Vehicles	27,016,896	26,457,303
Computers	1,098,122	1,228,670
Total repairs and maintenance	34,476,482	38,133,611

11. General expenses

The following are included in general expenses:

	2017-18	2016-17
	Kshs	Kshs
Advertising and Publicity	2,627,609	530,334
Audit fees- for 2017/2018	1,160,000	1,160,000
Hospitality and Conference facilities	4,961,817	4,607,896
Consumables- HSNP	12,785,357	9,900,216
Consumables- FFA	1,363,724	-
Utility costs	4,226,641	5,783,135
Fuel, oil & Lubricant	13,048,964	14,371,179
Postage	874,387	908,710
Publishing and Printing	1,287,650	773,474
Subscription and Newspapers	1,055,733	1,104,491
Rental	24,193,749	20,107,280
Contracted Services Cleaning and Security	8,553,545	7,818,534
Membership to Professional Bodies	579,416	313,900
Telecommunication	17,580,588	10,671,417
Motor vehicle insurance	1,319,454	142,247
Training	19,566,384	26,585,967
Drought coordination response (DCR)	45,026,523	21,972,530
Total general expenses	160,211,541	126,751,311
Total expenses for operations	796,605,920	889,123,916

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12. Donor Funded Activities

The following are donor related expenses:

	2017-18	2016-17
	Kshs	Kshs
Community development- KRDP (Gok)	31,836,181	40,727,168
Community development- HSNP (Gok)	2,305,114,632	2,312,626,824
Community development- DCF (Gok)	20,741,935	64,460,695
EDE DRMC (Gok)	35,352,901	
Expenses on UNDP (donor-REVENUE)	17,297,807	9,320,494
Expenses on WFP	155,896,680	132,173,073
Expenses on ADA	957,200	1,996,810
Expenses on DCF (donor-AIA)	-	435,913,831
Community development- HSNP (donor-AIA)	2,744,213,700	1,742,691,022
Expenses on EDE DRMC - AIA	1,018,482,060	719,161,995
Total donor- related expenses	6,329,893,097	5,459,071,912

12a. Other/extra expenses

ZEF funds	1,386,150	-
FAO funds	1,160,002	-
Total other expenses	2,546,152	-

14. Cash and cash equivalents

Bank	2018	2017
	KShs	KShs
KCB-KICC 1136140255	43,539,074	27,211,281
NIC-NDMA 1000584564	5,319,981	1,932,217
NIC- UNDP (DRR)1001976911	736,998	1,953,349
NIC- WFP/FFA 1001285595	25,355,365	54,618,925
NIC- UNDP (HSNP) 1001650137	108,208,844	43,958,552
NIC- KRDP DCF 1001783153	1,982,087	123,579
NIC- NDEF FUND 1004546624	2,051,741,758	2,000,137,938
Total cash and cash equivalents	2,236,884,106	2,129,935,841

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15. Receivables from non-exchange contracts

Current receivables	2018	2017
	KShs	KShs
Staff Debtors(IMPREST)	6,390,420	800,082
Insurance prepayments	32,108,763	26,275,130
Unutilised balances from counties	12,345,792	13,510,403
Receivables from KRDP by NDMA	-	1,379,162
Bank clearing	319,385	-
Salary advances	406,605	567,156
Employee advance pension contribution	-	3,920
Receivables from EDE DRMC	-	7,983,693
Receivables from UNDP-DRR	-	192,400
Total current receivables	51,570,966	50,711,946

16. Inventories

	2018	2017
	KShs	KShs
Consumable stores	3,272,421	4,025,234
Total inventories at the lower of cost and net realizable value	3,272,421	4,025,234

17. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers	Plant and Eqpr	Total
Cost	-	0.25	0.13	0.30	0.03	TOTAL
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Reported As At 30.june 2016(NBV)	11,176,266.00	438,532,354.00	123,293,199.00	64,149,269.00	-	637,151,088.00
Revalued figures for 2016/2017	161,579,810.00	168,813,019.00	9,623,024.24	21,833,385.63	-	361,849,238.87
Additions	-	-	1,844,177.00	7,285,722.20	-	9,129,899.20
As at 30th June 2017	161,579,810.00	168,813,019.00	11,467,201.24	29,119,107.83	-	370,979,138.07
FO 58 Assets for disposal	-	23,878,200.00	461,534.00	1,809,874.00	-	26,149,608.00
Total Assets for depreciation	161,579,810.00	192,691,219.00	11,928,735.24	30,928,981.83	-	397,128,746.07
Charge for the year	-	48,172,804.75	1,491,091.91	9,278,694.55	-	58,942,591.20
NBV At end of June 2017	161,579,810.00	144,518,414.25	10,437,643.34	21,650,287.28	-	338,186,154.87
NBV As at 01.07.2017	161,579,810.00	144,518,414.25	10,437,643.34	21,650,287.28	-	338,186,154.87
Additons 2017/2018 FY	165,358.00	31,874,320.00	1,894,593.00	5,590,848.00	-	39,525,119.00
Less Assets disposed	-	(13,274,625.00)	(8,638.00)	(309,784.00)	-	(13,593,047.00)
Total Assets for depreciation	161,745,168.00	163,118,109.25	12,323,598.34	26,931,351.28	-	364,118,226.87
Charge for the year	-	40,779,527.31	1,540,449.79	8,079,405.38	-	50,399,382.49
NBV At end of June 2018	161,745,168.00	122,338,581.94	10,783,148.54	18,851,945.90	-	313,718,844.38

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18. Trade and other payables

	2017-18	2016-17
	KShs	KShs
Other payables (KRDP)	-	1,248,322
Other payables (EDE-DRMC)	16,808,278	-
Funds received for the NDEF	2,051,741,758	2,000,137,938
Refundable deposits on disposal	502,877	-
Payroll Liabilities	122,269	24,322,605
Withholding tax	2,467	9,210
Accrued Expenses	74,565,276	1,616,813
Audit fees accrued	1,160,000	1,160,000
Trade and Other payables	730,374	3,945,000
Insurance compensation-GPI	100,000	2,579,344
Employer contribution - NITA	-	15,450
Other payables- UNDP Bills & IPSTC	728,169	2,189,099
Claim by Turkana, Samburu & Kitui Counties	-	175,136
Total trade and other payables	2,146,461,467	2,037,398,918

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

19. Financial risk management

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

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

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Fair values

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

	Carrying amount	Fair value
	Kshs	Kshs
Financial Assets		
At June 30, 2018		
Receivables from non-exchange transactions	51,570,966	51,570,966
Cash and cash equivalents	2,236,884,106	2,236,884,106
Total	2,288,455,072	2,288,455,072

	Kshs	Kshs
Financial Liabilities		
At 30 June 2018		
Trade payables from exchange transactions	2,146,461,467	2,146,461,467
Total	2,146,461,467	2,146,461,467

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

Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate

the carrying amounts largely due to the short-term maturities of these instruments.

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Credit risk

Credit risk is the risk of financial loss to the authority if customers or counterparties to financial instruments fail to meet their contractual obligations. The authority's credit risk is primarily attributable to its receivables and cash and cash equivalents. The carrying amount of financial assets represents the maximum credit exposure. The credit risk on liquid funds with financial institutions is low, because the counter parties are banks with high credit-ratings. The maximum exposure to credit risk as at 30 Jun 2018 was:

	Fully performing	Past due	Impaired	Total
	Kshs	Kshs	Kshs	Kshs
Non exchange receivables	51,570,966	-	-	51,570,966
Cash and cash equivalents	2,236,884,106	-	-	2,236,884,106
Maximum exposure to credit risk	2,288,455,072	-	-	2,288,455,072

Credit quality

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

Receivables

The authority does not extend credit to external parties. All services performed by the authority are rendered upon payment by the customers. The receivables from non-exchange transactions relate to staff advances, unutilized balances from the Counties and advances to internal donor activities. The advances were made in the financial year 2017/2018 and are therefore current.

Cash and cash equivalents

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

Liquidity risk

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

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

	Less than 1 month Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total Kshs
At 30 June 2018				
Trade payables from exchange transactions	112,479,864	-	2,033,981,603	2,146,461,467
	112,479,864	-	2,033,981,603	2,146,461,467

Market risk

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

Capital risk management policies

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

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

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APPENDIX I: EXPLANATIONS OF BUDGET VS. ACTUALS

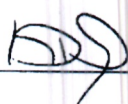
Interest received was predicted on the assumption that funds will be received from treasury and spent as planned, however we experienced some delays while finalizing on some registration issues for the last cycle of cash transfer.

Following the withdrawal of tenants from the Moyale and Mandera guest houses as well as incidences of insecurity, we expected lower turnout of guests and hence the decreased budget. This however turned out to be the outcome.

APPENDIX II: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

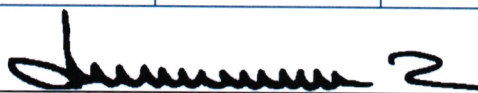
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Qualified opinion on the basis of historically valued property, plant and equipment inherited from the Project	- Response prepared - Awaiting to appear before parliamentary investment committee(PIC) - An invitation to the same has been received	Board of Directors	Exercise completed and value of assets adjusted	18.06.2019

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Chairperson

Date.....28.09.18.....

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Chief Executive Officer

Date.....28.09.18.....