

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

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REPORT

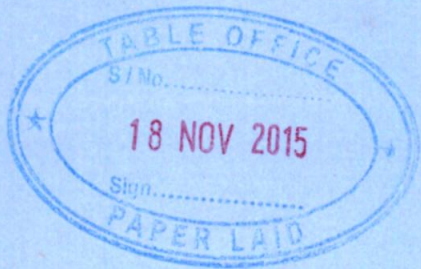
OF

THE AUDITOR-GENERAL

ON

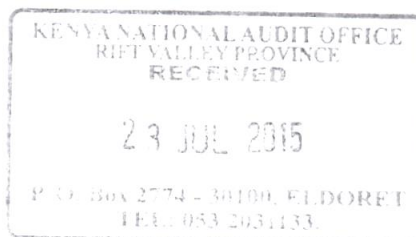
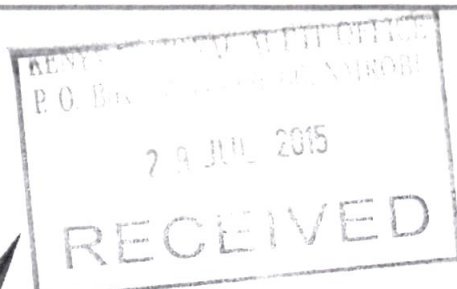
THE FINANCIAL STATEMENTS OF
KERIO VALLEY DEVELOPMENT
AUTHORITY

FOR THE YEAR ENDED
30 JUNE 2014



*Paper laid
By Hon. W.O. Mutitu
Majority Party Whip
Recd. 18.11.2015 (m)*





ANNUAL FINANCIAL STATEMENTS;

**THESE FINANCIAL STATEMENTS HAVE BEEN
PREPARED IN ACCORDANCE WITH
INTERNATIONAL PUBLIC SECTOR ACCOUNTING
STANDARDS (IPSAS).**

FOR THE YEAR ENDED 30TH JUNE 2014

KERIO VALLEY DEVELOPMENT AUTHORITY

2013/014

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background Information

The Authority was created on the **31st August, 1979** through an **Act of Parliament Chapter 441 laws of Kenya** with the mandate to plan and co ordinate the implementation of development projects in the Kerio and Turkwel Catchment areas.

b) Principal Activities

Vision Statement

To be the leading Regional Development Agency in River Basin based Integrated and sustainable Development.

Mission Statement

To identify, plan and coordinate the implementation of integrated development programmes by utilizing available resources to improve the living standards of the people.

Core Values

- Team Work,
- Integrity,
- Co-operation,
- Innovation,
- Creativity and
- Technological Compliance.

Fiduciary Oversight Arrangements

Functions and responsibility of the board

- i. To plan for the development of the Area of jurisdiction and initiate project activities identified for such planning through the Government,
- ii. To develop and keep up-to-date a long range development plan for the Area,

- iii. To initiate such studies and to carry out such surveys, of the Area as may be considered necessary by the Government or by the Authority and to assess alternative demands within the Area on the resources thereof, including agriculture (both Irrigated and rain-fed) forestry, wildlife and tourism industries, electric power generation, mining and fishing and to recommend economic priorities,
- iv. To co-ordinate the various studies of, and schemes within, the Area so that human, water, animal, land and other resources are utilized to the best advantage and to monitor the design and execution of planned projects within the Area,
- v. To effect a program of both monitoring and evaluating of projects within the Area so as to improve that performance and establish responsibility therefore and to improve future planning,
- vi. To co-ordinate the present abstraction and use and the planned abstraction and use of the natural resources especially water and set up an effective monitoring of abstraction and usage,
- vii. To cause the construction of any works necessary for the protection and utilization of the water and soils of the Area,
- viii. To ensure that the landowners in the Area undertake all the measures specified by the Authority to protect the water and soils of the Area,
- ix. To identify, assemble and correlate all the data related to the use of water and other resources within the Area as may be necessary for the efficient forward planning of the Area,
- x. To maintain a liaison between the Government, the private sector and other agencies in the matter of the development of the Area with a view to limiting the duplication of effort and ensuring the best use of technical resource.

Committees of the Board

The Board has three standing Committees.

a) Audit Committee

The board constituted an Audit Committee which met three times during the year.

This year its membership comprised of five members. Its responsibility includes review of the financial statements, compliance with accounting standards and maintaining oversight on Internal Controls.

The members of this committee are:

1. Mr. Charles Gumo
2. Mr. Joshua Lomutongole
3. Mr. Kimutai Sirma
4. Mr. Chrisologus Makhokha

b) Finance & Establishment Committee

There is Finance and Establishment Committee Comprising of six members who met three times in the year. The Committee is responsible in reviewing of the financial statements, compliance with accounting standards, approval of Budgets/Work plans and procurement plans and its adherence to set out budgetary levels. It also monitors and appraises the performance of Senior Management Staff including the Managing Director; review all human resource policies determining the remuneration of senior management staff. The members of this committee are:

1. Mr. Moses Lenairoshi
2. Mr. David Komen
3. Mr. Patrick Nasia
4. Mr. Charles Mwanda
5. Mr. Daniel Lomukereng.
6. Mr. A. Mohamed Jabane

c) Development & Environment Committee

This Committee comprises of five members who met three times in the year and they focused on strategies that would facilitate the Board to give guidance and strategic direction to management on project implementation. The mandate of the committee includes review of the Authority Strategic Plan, Annual Corporate Development Budget, and Monitoring of Project under implementation and strategies for operation and Customer Service improvement. It met four times during the year.

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The members of this committee are:

1. Mr. Michael Ronoh
2. Mr. William Kiptum
3. Mr. Richard Kipseret
4. Mr. James Yatich
5. Mr. Nehemiah Tuitoek

c) Headquarters

KVDA PLAZA,
14TH FLOOR,
OLOO STREET,

KENYA COMMERCIAL BANK
ELDORET WEST BRANCH
P.O. Box 5197 - 30100
ELDORET.

d) Contacts

P.O. BOX 2660- 30100
TEL: 053-2063361/3 Fax 2063364
ELDORET
EMAIL: info@kvda.go.ke

f) Independent Auditors

THE AUDITOR GENERAL,
KENYA NATIONAL AUDIT
OFFICE,
P.O. BOX 30084 – 00100
NAIROBI

e) BANKERS

NATIONAL BANK OF KENYA,
ELDORET BARANCH,
P.O. BOX 3111 – 30100
ELDORET

g) Principle legal adviser

NATIONAL BANK OF KENYA,
KITALE BRANCH
P.O. BOX 1192
KITALE

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

II. THE BOARD OF DIRECTORS



E.S.Kona

Chairman since 27th December 2013. Holds Masters of Arts Lancaster Univ. UK, Bachelor of Education Kenyatta univ. Certificate in Evaluation Theory & Methods for Conflict Resolution Projects United States. Work Experience Snr Conflict Management Specialist DRG, Team Leader & Policy Outreach Specialist DAP, Snr Technical Advisor KTI, Snr Manager, Regional Advisor, Regional Conflict Resolution Specialist, Conflict Information & Capacity Building Specialist, County Coordinator, Liaison Officer ministry of State OP, Teacher, Resource Person, Training Expert, Project Design & Dev. Consultant, Evaluation Expert, Nominated for Right Livelihood Award.



David Kimosop

Managing Director. Born 1964, He is a PHD Finalist Moi Univ. Holds MBA Moi Univ, Bachelors Degree in Business Administration UoN and Dip in Risk Mgt in Banking. Member of IA, IOD, and former Board of Trustees KCB staff Pension. A versatile Chief Executive in corporate Governance, Risk management solutions, Corporate and Retail business Management, Credit, Treasury and Banking operations and internal audit through 22 solid years at KCB where he served as a Group Head. He also worked as a regional project Coordinator for World Vision Projects in Kenya for one year.



Mr. Richard Kipseret

Born 1965 holds a Bachelors degree in community Development European Business School, Cambridge, Dip. In BA & Mgt. Worked with KNCHR, TJRC, & NGO.



Hon. Titus Mbathi

Alt. Director, Born 1928 holds BA in Economics Madras University India & Masters Degree in Economics New York University, Previously a Minister, and Permanent Secretary in various Ministries. Former Director KENGEN. Retired in December 2013



Mr. A. Mohamed Jabane
Alt. Director, the Presidency, Cabinet affairs, the chief of staff & head of public service. Holds master of Arts in International Relations, BA Political Science both UoN, and Advanced Public Relations – Kenya institute of Administration.



Mr. Charles Gumo
Born 1950. Joined KVDA on 11th September 2012 as Director. Holds BSc Engineering Univ. of London Previously worked with Sea Containers Ltd London and currently Businessman.



Mr. William Kiptum.
Director since 11th September 2012. Born 1950. Holds SI Certificate, Guidance & counseling. Worked as a Teacher, head Teacher and Inspector of schools.



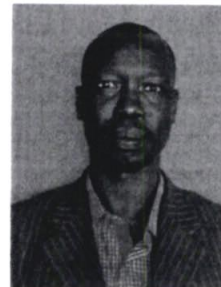
Mr. David Komen –Alt.
Director, P.S. The National Treasury. Born 1965 holds MSc. University of Brandford United Kingdom, BA Economics UoN, S. A. Director National Treasury, Alt Director KEMRI, Economist Ministry of Planning.



Eng. Jasper Nkanya Alt.
Director Ministry of Agriculture from 11th May 2009 to 2013



Mr. Daniel Lomukereng.
Director from 11th September 2012. Born 1969 holds Dip. in Social work, P2 certificate. Worked as Teacher in various schools, Chief Lomut Location, Director Kapenguria Water & Sewerage Co.



Mr. Joshua Y. Lomutongole
Director since 11th September 2012. Born 1969 holds Higher Diploma in public relations Moi University, Board member in various institutions, Worked with Kenya Defence Force, Currently Ag. Assist. Sub-county commissioner- Ngoron Division.



Mr. Chrisologus Makhokha
Alt. Director, Inspectorate of
State Corporations



Mr. Patrick Nasia Director
since February 2012. Born 1963
holds BBM Mt. Kenya Univ.,
Dip. in BBM Manchester Univ.
England. Worked as Director
Illima Academy, Teacher,
Zonal Inspector, and Education
Officer.



Eng. Charles Mwanda Alt.
Director, P.S. Min. of Regional
Development.



Mr. Michael Rono. Director
since 11th September 2012.
Born 1951 holds BSc Quelph
University, Dip in seed
Technology Sweden, Dip
Agriculture Egerton. Worked as
Assist. Agricultural
Officer/Manager in various
Institutions, Director Seed
Merchants.



Mr. Nehemiah K. Tuitoek.
Alt. Director. Born 1956 holds
MSc. JKUAT,
MSc. Eng. Byelorussian
Agricultural Academy, USSR.
Worked as Directorate
Agricultural Services &
Member of various professional
Institutions.



Mr. Moses Lenairoshi Director
since 12th March 2012. Born 1945.
Work experience, Clerk, Treasurer
- Samburu County council,
Currently Chairman various
Institutions.



Mr. James Yatich
Alt. Director. P.S. Min. of
Environment & Natural Resources.
Born 1963 holds MSc. Simion
Fraser University Canada, BSc,
Certificates in GIS/GPS and
strategic leadership, Work
experience Deputy Director, Land
Reclamation and Water Storage,
Head Mass media, D.A.O.



Mr. K. Sirma
Director since 12th March 2012.
Holds BSc UoN,
Dip in Business Mgt KIM,
Member CDF West lands, Betting
& Gaming Licensing Boards

III. MANAGEMENT TEAM



David Kimosop
Managing Director. Born 1964, He is a PHD Finalist Moi Univ. Holds MBA Moi Univ, Bachelors Degree in Business Administration UoN and Dip in Risk Mgt in Banking. Member of IA, IOD, and former Board of Trustees KCB staff Pension. A versatile Chief Executive in corporate Governance, Risk management solutions, Corporate and Retail business Management, Credit, Treasury and Banking operations and internal audit through 22 solid years at KCB where he served as a Group Head. He also worked as a regional project Coordinator for World Vision Projects in Kenya for one year.



Francis Kipkech
Chief Manger Technical Services & Operations
Born 1963 holds MSc (McGill University-Montreal), BSc - UoN, Dip. Crop Mgt Egerton Univ. Previously Deputy Director Ministry of Regional Development Authority, MD CDA, Ag MD and Deputy MD KVDA, Snr Research Officer KARI



Mr. David Onyango
Born 1962 Holds Masters Degree in Business Administration, BA UoN and various professional training. Worked as Business Development consultant, Lecturer, Credit Officer - Caribbean, Business Development Specialist UN, Administration Manager KATO, Research officer KATO and AMREF, Economist/Statician in the Ministry of Tourism and Wildlife.



Mr. Samuel Koskei
Chief Manager Finance
Born 1963 Holds MBA. Moi
university, C.P.A (K).
Worked as Financial
Controller & Chief
Accountant - Sirikwa Hotel
Ltd and Kenya Fluorspar,
Accountant Twiga Chemical
Industries Ltd, Accountant, in
National Oil Corporation of
Kenya. Accountant I Nandi
County Council.



Elizabeth Kebenei
**Ag Chief Manager Human
Resource & Administration**
Born 1966. Holds MSc
Human Resource
Development Moi Univ., BA
Kenyatta Univ., HDHRM.
Previously worked as Snr
HRO, HRO and Assist. HRO
all in KVDA, Teacher
Kocholwo Sec School. Has
attended various management
workshops and seminar.



Mr. Patrick Kiptoo
Ag. Chief Manager
**Planning, Research &
Development.**
Born in 1973 holds BA
Degree (Economics &
Mathematics), Egerton Univ.,
Dip. in Project Mgt (KIM).
Previously worked as planning
officer,
planning manager both in
KVDA.



Esther J. Kiror
Legal Officer
Born 1975 Holds LLB Moi
University, Worked as Asst
Legal Officer - KVDA



Mr Moses Kipchumba
Manager Internal Audit
Born 1975 Holds MBA,
BCom - KU, CPA (K).
Worked as Fund Mgr CDF,
Asst Accountant Family
Bank, Accountant Pine Tree
Agencies Ltd.



Mr William K. Maina
**Supplies and Procurement
Manager.**
Born 1968. Holds MBA,
BCom, Poona University
(India), Dip Ms Office, Dip
Purchasing & Sup Mgt and
various workshops/seminars
in various inst. Worked as
Head of Suplies Dept.
Ampath, Snr Supplies &
Procurement Officer MTRH,
District Supplies Officer UG
District, Supplies Officer II
OP.

IV. CHAIRMAN'S STATEMENT

It gives me great pleasure to report on **Kerio Valley Development Authority's Accounts** for 2013/2014 financial year.

The Authority is a corporation wholly funded by the Government of Kenya and its area of operation includes Elgeyo /Marakwet, Pokot, Turkana, Baringo, Samburu and Parts of Nakuru Counties. During the year under review the Authority managed to undertake the following programmes and projects aimed at increased food sufficiency as envisioned in KVDA Strategic Plan 2008-2012 now reviewed for another five years, the Regional Development Policy, Vision 2030 and Millennium Development Goals (MDGs) policies among others.

BUSINESS AND INVESTMENT PROMOTION

The Authority planned to procure and installed two Lifts at KVDA Plaza at a cost of **ksh16m** and this has improved service delivery to tenants. The Authority was able to initiate construction of green houses at Lodwar which are near completion and planted the existing five at kerio roses in Eldoret which increased its revenue source. It also started shelling its maize locally from the installed Maize Seed Processing Unit which was constructed at a cost of **Kshs. 15 M** at Wei Wei, West Pokot County and the same service will be extended to the farmers at a subsidized fee.

The Authority also initiated the plans of completion of KVDA Plaza southern wing by pursuing funding for same to enable it realize increased revenue internally.

MASTER PLAN 2013 - 2033

During the year under review the Authority finalized and launched Kerio Valley Integrated Regional Development Mater Plan (IRDMP) **2013-2033** that identifies resources in the region and provides a roadmap for optimal utilization, with a view to livelihoods improvement in the region. The IRDMP is aligned to the Kenya Vision 2030 and provides strategies for among others peace-building initiatives, irrigated-led agriculture, mineral exploration, value addition and conservation of water catchment areas such as Cherangany Hills Water Tower.

It also finalized reviewing the current KVDA Strategic Plan (2008-2012) and aligned it to 2nd **MTP 2013 -2017.**

Feasibility studies on development of the Arror multipurpose project, Turkwel downstream irrigation were carried out. The process of supply and installation of Multi Fruit Processing Plant at Tot in Elgeyo/Marakwet County for value addition and revenue generation was initiated at an estimated cost of kshs40m.

The operationalization of the Regional Offices namely: Turkwel Region, Kerio Region, Lake Turkana Region, Samburu and Lake Baringo Region was effected. The Authority substantially completed the construction of three major irrigation projects valued at over **kshs250m** namely, Arror irrigation scheme 300acres, Tot irrigation scheme 150acres all in Elgeyo/Marakwet county and Ptokou/Sangat irrigation project 320hectares in West Pokot County which were started earlier all aimed at increasing food sufficiency as by the Government manifesto.

LIVESTOCK DEVELOPMENT


The Authority purchased Gala goats for chesongoch Station in Elgeyo/Marakwet County for multiplication, improved breed and generation of revenue through the distribution and sale of the animals to farmers.

NATIONAL WATER HARVESTING AND STORAGE PROJECTS

The Authority was identified as implementer of the above programme and funded with an initial **ksh237m** through Ministry of Planning and Devolution To construct eighty two water pans across the counties of Uasin Gishu, Turkana, Samburu, Elgeyo Marakwet, West Pokot, Baringo and Transzoia.

Conclusion

The board remains fully committed in supporting management and stakeholders by ensuring right talents are retained for effective and efficient services to citizens. I would like to thank our Parent Ministry for the cordial support we have received, the Authority's entire **BoD**, the M.D, Staff, and all Stakeholders from counties where our projects are located.4


E.S. Kona
Chairman of the Board
Date... 15/06/2015

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

The KVDA Act Cap 441 requires the Directors to prepare financial statement which gives a true and fair view of the state of affairs of the Authority and of the group's profit or loss. It also requires the Directors to ensure the Authority keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the organization. They are also responsible for safeguarding the assets of the Authority.

It is my pleasure to present this draft financial statement for the year ended 30th June 2014. During the period under review we progressed with the set base for growth of the Authority's revenue. The focus was to control the laid foundation for sustainability through expansion of income generation, creation of operational efficiency and restructuring to make the Authority self reliant and eventually create stakeholder's value. This move is intended to move the authority from current dependency on government support to a blue chip institution within a five years period. The process has resulted to realization of **Kshs.152m** on A.I.A and a base to generate **Kshs.200m** by the end of the next financial year 2014/2015. These measures include the following: -

- i. Increased growth in our seedlings business which involves raising of one million fruit seedlings and one million tree seedlings, through expansion program of our fruit and tree nurseries. This will see the Authority raise revenue of **Kshs. 100m** and **Kshs 10m** respectively in the next one year.
- ii. Purchase and processing of **100 tons** of semi-processed honey and selling honey products to raise **Kshs 50m**.
- iii. Completion of KVDA Plaza southern wing, developing the Nairobi Upper Hill and Lodwar commercial plots in order to expand and diversify our revenue base. This move will see the Authority realize annual revenue of over **Kshs 600m** within next two years.
- iv. The Authority will also upscale its seed production business through prudent management of existing farms and expansion of irrigable land to achieve **at least 3,000**

-
- iv. The Authority will also upscale its seed production business through prudent management of existing farms and expansion of irrigable land to achieve **at least 3,000 hectares** in the next **two years**. In the period under review the Authority was able to complete the installation of the maize seed processing unit at Wei Wei to enhance value addition. This has seen the Authority process and deliver clean maize seed to Kenya Seed and is extending the same to local farmers.
 - v. The Authority has entered into an MOU with the county government of Samburu to develop a 1,000 acre livestock breeding centre. A budget has been set aside to implement this. In this arrangement the Authority will expand its livestock farming. The Authority is also exploring the possibility of venturing into meat industry in collaboration with the ministry of livestock.
 - vi. The Authority has also ventured into green houses at Kerio roses for horticulture. Harvesting of the first crop is ongoing and we have started developing more green houses in Lodwar to enhance our revenue generation.
 - vii. We will aggressively mobilize the necessary funding for major projects like Arror, Lower Turkwel, and Cherangany Environmental Conservation.

We will continue to expand our revenue base to support our operating activities and create sustainability in the River Basin. We are also focusing on reduction of **300** (three hundred) noncore staff through early voluntary retirement package estimated at **Kshs. 309m** saving the Authority **Kshs. 102m** annually.

KERIO VALLEY DEVELOPMENT AUTHORITY

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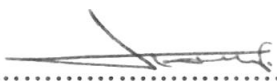
Turkwel gorge project

This whole project was developed by KVDA until the year 2000 when some of the assets were transferred to KenGen and Kenya Power Lighting Corporation. KVDA remained with the dam and some buildings while KenGen took over the power generating plant and some houses while KPLC took the transmission line. KVDA was never compensated for these assets and a water supply agreement which was supposed to have been signed between KenGen and KVDA was never executed.

The asset of Turkwel dam was however removed from the books of KVDA under unclear circumstances and this understated the Authority's net worth. It is in this respect that we are reinstating the asset in our books at its cost (**Kshs. 7,000,246,800.00**).

In conclusion, I would like to thank the Parent Ministry, the Authority's entire Board of Directors, KVDA Staff members and the counties /beneficiaries where our projects are located for their contributions to our success.

Signed:



.....

David Kimosop

MANAGING DIRECTOR

Date: 15/6/2015
.....

VI. CORPORATE GOVERNANCE STATEMENT

Corporate Governance is the process by which companies are directed, controlled and held to account. The **Kerio Valley Development Authority Board of Directors** is responsible for the overall management and the governance of the Authority and is accountable to the Government for ensuring that the Company complies with the law and the highest standards of best practice in corporate governance and business and operations of the Authority with integrity and in accordance with generally accepted corporate practice and endorse the internationally developed principles of good governance.

Board Of Directors

The full Board met eight times during the year. The Directors are given appropriate information so that they can be able to maintain full and effective control over strategic, financial ,operational and compliance issues except for direction issues and guidance on general policy, the board has delegated authority for conduct of day to day business to the Managing Director. The board nonetheless retains responsibility for establishing and maintaining the Authority's overall Internal Control of financial operational and compliance issues as well as implementing strategies for long term success of the Authority.

All Board members except the Managing Director are non executive including the Chairman of the Board. The Chairman is appointed by the President whereas the other non executive members are appointed by the Minister and relevant line Ministries.

The Directors have wide range of skills and experience and each contributes independent judgment and knowledge to the Boards discussion.

Code of Ethics

The Authority is committed to the highest standards of integrity in dealing with all stake holders. All employees of the Authority are expected to avoid activities that amount to conflict of interest.

Communication with the Government

The Authority provides quarterly, half yearly and annual returns on its activities, financial statements and operations parameters to the Parent Ministry.

Directors Emoluments

The Chairman is paid monthly honoraria and like other directors he is entitled to sitting allowance, accommodation allowance, lunch allowance and transport allowance when on official duty only.

There were no Director's Loans during the year.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Our commitment to our stakeholders and improving quality of life of communities around our area of jurisdiction is central to our corporate identity. During the year under review, the Authority supported the hunger stricken families in Turkana, participated in peace building and initiatives and supported expansion of educational institutions. However much could have been done had it not been due to financial constraints.

VIII. REPORT OF THE DIRECTORS

The Directors submit their report together with draft financial statements for the year ended 30th June, 2014 which show the state of the KVDA's affairs.

Principal activities:

- To formulate integrated regional development master plan in partnership with other stakeholders.
- To undertake resource mapping for data bank and promotion of integrated multi-sector investments.
- To carry out appraisal of multi-sectoral investments.
- To monitor, evaluate, document and disseminate data on development levels.
- To market and implement multi-sectoral development projects/investments.
- To mobilize active engagement of stakeholders through various forums.

Results

The results of the entity for the year ended 30th June, 2014 are set out on pages 21 to 38

Directors

The members of the Directors who served during the year are as shown on pages 5 to 6

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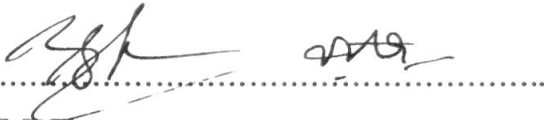
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Internal Controls

The Authority has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information, procedures are also in place to ensure that assets are subject to proper physical controls and that the Organization remains structured to ensure appropriate segregation of duties. In reviewing the effectiveness of the system controls the Board take to consideration the results of all the work carried out to audit and review the activities of the Authority. Monthly meeting are held by management to monitor performance.

Auditors

The Auditor General is responsible for the statutory audit of the KVDA in accordance with the Public Finance Management (PFM) Act, 2012



E.S. Kona

CHAIRMAN, BOARD OF DIRECTORS

Date 15/06/2015

KERIO VALLEY DEVELOPMENT AUTHORITY

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IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Exchequer and Audit Act requires the Directors to prepare financial statements for each year that give a true and fair view of the state of affairs of the Authority as at the end of the financial year and of its deficit/or surplus. It also requires the Directors to ensure that the Authority keeps proper Accounting records that disclose with reasonable accuracy the assets of the Authority.

The Directors accept responsibility for the annual statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with International public sector accounting Standards (IPSAS). The Directors are of the opinion that the financial statements give a true and fair view of the state of financial affairs of the Kerio Valley Development Authority and its surplus thereof. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the financial statements, as well as adequate systems of internal financial controls.

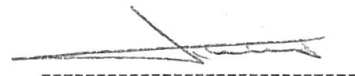
Nothing has come to the attention of Directors to indicate that the Authority will not remain a going concern for at least a year from the date of this statement.

Approval of the financial statements

The KVDA's financial statements were approved by the Board on 12th September 2014 and signed on its behalf by: -



E.S. Kona
Chairman, BoD



David Kimosop
Managing Director

Date 15/06/2015

.....

Date.....



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KERIO VALLEY DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kerio Valley Development Authority set out on pages 23 to 41, which comprise the statement of financial position as at 30 June 2014, and the statement of financial performance, statement of changes in net assets, statement of comparison of budget and actual amounts and statement of cash flows 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 14 of the Public Audit Act, 2003. 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.

Management's Responsibility for the Financial Statements

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 such 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.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 (2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1.0 Prior Year Adjustment – Restricted Funds

The statement of changes in net assets reflect a prior year adjustment pertaining to restricted funds totaling Kshs.295,882,283. However, the accounting entries did not comply with provisions of IPSAS 3(47) (Accounting Policies, Changes in Accounting Estimates and Errors). The standard requires that correction of such omissions constitute a fundamental error and should be reported by adjusting the opening balances of accumulated supply or deficits. The comparative figure should also be restated.

In the circumstances, the accuracy and validity of the capital resources balance of Kshs.7,696,199,073 for the year ended 30 June 2014 could not be confirmed.

2.0 Property, Plant and Equipment

2.1 Properties in the Authority's Field Station

As similarly reported in the previous year, the property, plant and equipment balance of Kshs.5,637,361,742 as at 30 June 2014 includes various properties as shown below with a total net book value of Kshs.650,122. However, their ownership documents were not availed for audit verification.

Property	Location	Net Book Value (Kshs)
Guest House	Tot	89,988
Residential Houses	Chemeron	109,090
Guest House	Sigor	170,353
Staff Houses	Sigor	<u>280,691</u>
		<u>650,122</u>

In addition, a motor vehicle registration number KYF 534 valued at Kshs.337,500 donated by the World Bank, was not registered in the name of the Authority.

Under the circumstance, it has not been possible to establish the ownership status of the five (5) properties and that the property, plant and equipment balance of Kshs.5,637,361,742 is fairly stated.

2.2 Tot Irrigation Project

Included under the restricted funds expense of Kshs.67,165,416.00 as at 30 June 2014 is Kshs.26,602,103.00 which was incurred in respect of Tot Irrigation Scheme Project. This was in addition to Kshs.59,568,047.00 that was spent in the previous years. In total an amount of Kshs.86,170,150.00 has been incurred on the project. The contract was

awarded to a local firm for a contract sum of Kshs.64,231,138.00 and supervision consultancy was awarded to another firm at a contract sum of Kshs.8,494,680.00. The contract period was from 24 November 2010 to 23 May 2011, a period of six months. However the same was extended to 15 June 2011 and finally to 31 December 2011. The project had not been completed as at the time of this audit, five (5) years after the commencement of the project. Consequently, delay in completion of the project may result in cost escalation, and may negatively impact on service delivery.

2.3 Arror Project

Included under the restricted funds expense of Kshs.67,165,416.00 as at 30 June 2014 is Kshs.4,743,041.00 which was incurred in respect to Arror Irrigation Project. This was in addition to Kshs.56,663,636.00 that had been incurred in the previous years. In total an amount of Kshs.61,406,677.00 has been incurred on the project. The contract was awarded to a contractor at a contract sum of Kshs.62,298,021.00 while a consultancy firm was awarded supervision contract for the project at a sum of Kshs.9,074,680.00. The contract was to be completed on 15 June 2011, but the contract period was extended to 31 December 2011. The Authority had paid a total of Kshs.42,993,382.00 to the contractor and an additional Kshs.12,477,684.00 was paid to a consultancy firm before the contract was terminated for non performance in December 2012. The consultancy firm was therefore overpaid by Kshs.3,403,004.00.

It could not therefore be determined whether the Authority got value for the Kshs.61,406,677.00 already incurred on the project.

2.4 Ptokou and Sangat Irrigation Project

Included under the restricted funds expense of Kshs.67,165,416.00 is Kshs.3,968,888.00 which was incurred in respect to Ptokou and Sangat Irrigation Projects. This was in addition to the amount of Kshs.101,569,751.00 that had been incurred on the project in the previous years. In total, an amount of Kshs.105,538,639.00 has been spent on the project. As previously reported, the contract was awarded to a firm at a contract sum of Kshs.100,914,472.00 but was later revised to Kshs.98,000,000.00. The technical evaluation committee recommended award of the tender to a firm at a cost of Kshs.98,926,181.00. However, the tender committee rejected the recommendation and proceeded to award the tender to another firm at a contract sum of Kshs.100,914,472.00 against the requirements of regulation number 11 of Public procurement and Disposal Regulations, 2006 which prohibits modification by the tender committee of any submission of technical evaluation committee with respect to recommendation for a contract award or in any other respect.

Further, the project was supposed to have been completed by 16 May 2012, but an extension to 30 April 2014 was sought and granted. However, as at 30 March 2015, the project had not been commissioned. Consequently, it is not clear when and if the project will ever be completed.

3.0 Trade and other Receivables

As previously reported and reflected under note 19(c) to the financial statements, the doubtful debts' balance of Kshs.31,851,293.00 as at 30 June 2014 includes a sum of

Kshs.22,090,971.00 owed by a former Managing Director, Kshs.1,506,195.00 by former staff, Kshs.316,740.00 by former Directors and Kshs.7,937,387.00 by former tenants who vacated the Authority's premises with arrears.

Any provision that would have been necessary in relation to this uncertainty has not been incorporated in these financial statements.

4.0 Trade and other Payables

As similarly reported in 2012/2013, trade and other payables balance of Kshs.70,123,213 includes unremitted staff deductions totaling Kshs.17,100,538 and deceased staff pension refunds amounting to Kshs.3,330,777 upto 2013/2014 financial year. The Authority is therefore in breach of the law and the continued non-remittance of the statutory deductions may lead to penalties and fines.

5.0 Cash and Bank Balances

The financial statements reflect cash and cash equivalents balance of Kshs.348,813,745 as at 30 June 2014. However, the bank reconciliation statements availed for audit review as at 30 June 2014 included cheques worth Kshs.4,063,595 which had become stale but had not been written back to the cash book. The statement also had receipts of Kshs.259,545 in the bank statements which had not been included in the cash book while receipts amounting to Kshs.4,402,844 in the cash book had not been banked.

In the circumstances, the validity and accuracy of the cash and bank balance of Kshs.348,813,745 as at 30 June 2014 could not be confirmed.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Authority as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with the Kerio Valley Development Authority Act, Cap. 441 of the Laws of Kenya.



Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

27 August 2015

XI. STATEMENT OF FINANCIAL PERFORMANCE**For the year ended 30 June 2014**

	Notes	2013-2014	2012-2013 RESTATED
Revenue from non-exchange transactions			
Government grants-Unconditional	9	332,038,747	260,304,150
Restricted Funds	13	67,165,416	-
Donations		3,610,000	-
		402,814,163	260,304,150
Revenue from exchange transactions			
AIA	10	151,226,729	157,626,529
		151,226,729	157,626,529
Add Gain on Disposal			413,907
Total revenue		554,040,892	418,344,586
Expenses			
Personal Emoluments-Employee costs	11	208,732,943	205,802,869
Administration & Operation expenses	12	176,709,999	30,134,322
Operation Expenses		-	77,854,445
Restricted Funds	13	67,165,416	36,715,531
Other Expenses		-	5,023,698
Bad debts written off	21	2,313,610	-
Board expenses		15,701,057	12,937,986
Provision for Audit fee	31	812,000	812,000
Food Donations(food security)		1,000,000	-
Water and Electricity		302,862	-
Depreciation and amortization expense	40	125,003,365	124,909,816
Total expenses		597,741,252	494,190,667
Surplus/ (Deficit) before tax		(43,700,360)	(75,846,081)
Taxation		-	-
Surplus/ (Deficit) for the period		(43,700,360)	(75,846,081)

The notes set out on pages 29 to 40 form an integral part of the Financial Statements

XII. STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

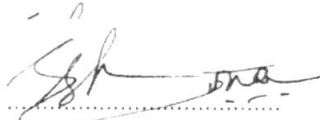
	Note	2013-2014	2012-2013 RESTATED
Assets			
Current assets			
Cash and cash equivalents	14	348,813,745	213,788,613
Receivables from exchange transactions	19	143,976,351	
Trade & other receivables		-	31,325,650
Prepayments		-	4,109,335
Doutful debts		-	34,103,553
Inventories	22	46,264,240	29,518,179
		<u>539,054,336</u>	<u>312,845,330</u>
Non-current assets			
Property, plant and equipment	40	5,637,361,742	5,925,601,744
Biological Assets	25	38,948,756	28,061,605
		<u>5,676,310,498</u>	<u>5,953,663,349</u>
Total assets		<u>6,215,364,834</u>	<u>6,266,508,679</u>
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	28	391,839,313	64,262,573
Overdraft		-	308,965
Audit Fees	31	1,112,000	812,000
current liabilities		<u>392,951,313</u>	<u>65,383,538</u>
Total Net Assets		<u>5,822,413,521</u>	<u>6,201,125,141</u>
Capital Reserves		7,696,199,073	7,930,881,356
Revenue Reserves		(1,873,785,552)	(1,729,756,215)
Total net assets and liabilities		<u>5,822,413,521</u>	<u>6,201,125,141</u>

The Financial Statements set out on pages 23 to 40 were signed on behalf of the

Board of Directors by:


 David Kimosop
 C.E.O/Managing Director

Date... 15/06/2015


 E.S. Kona
 Chairman of the Board

Date... 15/06/2015

XIII. STATEMENT OF CHANGES IN NET ASSETS**For the year ended 30 June 2014**

	Notes	Capital reserves Kshs RESTATED	Revenue Reserve Kshs	Totals Kshs
Balance as at 30 JUNE 2012		930,634,556	379,705,914	1,310,340,470
Prior Year Adjustment: Turkwel Gorge	24	7,000,246,800	1,203,328	7,001,450,128
Surplus/(deficit) for the period		-	(2,034,819,376)	(2,034,819,376)
Transfers to/from accumulated surplus		-	(75,846,081)	(75,846,081)
Balance as at 30 JUNE 2013		7,930,881,356	(1,729,756,215)	6,201,125,141
				-
Prior Year Adjustment -Restricted funds		-	(101,540,977)	(101,540,977)
Prior Year Adjustment - Restricted fun	27	(295,882,283)		(295,882,283)
Prior Year Adjustment			1,212,000	1,212,000
Revaluation		61,200,000		61,200,000
Surplus/(deficit) for the period		-	(43,700,360)	(43,700,360)
Balance as at 30 JUNE 2014		7,696,199,073	(1,873,785,552)	5,822,413,521

XIV. STATEMENT OF CASH FLOWS**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2014**

		2013/2014	RESTATED
	Notes	KShs.	2012/2013 KShs.
Cash Flows from Operating Activities			
Deficit/Surplus for the year		(43,700,360)	(75,846,081)
Non cash movements			
Depreciation	40	125,003,365	124,909,816
Increase/Decrease in Inventories	23	(16,746,061)	(9,973,342)
Increase/Decrease in Receivables	20	(74,437,813)	40,058,872
Increase/Decrease in Prepayments		-	12,919,941
Increase/Decrease in Trade & Other Payables	29	5,860,642	2,290,975
Increase/Decrease Doubtful debts		-	(34,103,553)
Increase/Decrease Restricted funds	30	167,098,004	-
Gain on disposal		-	(413,907)
Bad debts written off		(2,313,610)	-
Increase in provision for audit fees		300,000	-
Net cash generated from operating activities		161,064,167	59,842,721
Cash flows from Investing Activities			
Purchase of Property, Plant and Equipm	40	(14,801,801)	(16,470,608)
Additional Work In Progress		-	(47,779,134)
Increase/Decrease in biological assets	26	(10,887,151)	(23,167,350)
Proceeds from asset disposed (tools)		(41,117)	455,000
Net Cash flow from Investing Activities		(25,730,069)	(86,962,092)
Net Cash flow from Investing Activities		135,334,098	(27,119,371)
Cash flows from financing activities			
Decrease in Shortterm borrowing		(308,965)	268,264
Net cash and cash equivalents		135,025,133	(26,851,107)
Cash and cash equivalent at the beginning of the period		213,788,613	240,639,720
Net Cash & Cash Equivalent - End		348,813,746	213,788,613

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Revenue	Notes	Original budget 2013-2014 Kshs	Adjustments 2013-2014 Kshs	Final budget 2013-2014 Kshs	Actual on comparable basis 2013-2014 Kshs	Performance difference 2013-2014 Kshs
Property taxes		-	-	-	-	-
Public contributions and donations		-	3,610,000	3,610,000	3,610,000	-
Fines, penalties and levies		-	-	-	-	-
Restricted funds		154,618,096	237,263,420	391,881,516	391,881,516	-
Licenses and permits		-	-	-	-	-
Government grants and subsidies	9	372,356,899	-	372,356,899	332,038,747	40,318,152
Rendering of services(turkwel)		45,000,000	-	45,000,000	45,000,000	-
Sale of goods	24(ii)	129,029,900	-	129,029,900	38,830,923	90,198,977
Finance income		-	-	-	-	-
Rental income		68,960,588	-	68,960,588	67,395,806	1,564,782
Total income		769,965,483	-	1,010,838,903	878,756,992	- 143,763,862
Expenses						
Compensation of employees		281,736,787	4,000,000	277,736,787	208,732,943	69,003,844
Communication supplies		4,366,000	-	4,366,000	1,721,147	2,644,853
Daily subsistence		2,000,000	-	2,000,000	2,533,449	533,449
Rent and Rates		18,000,000	-	18,000,000	1,328,358	16,671,642
Funeral Expenses		400,000	-	400,000	271,100	128,900
Hospitality		3,500,000	-	3,500,000	3,563,539	63,539
Board expense		13,500,000	4,000,000	17,500,000	15,701,057	1,798,943
Insurance		8,200,000	-	8,200,000	2,683,226	5,516,774
Uniform and Safety measures		1,928,500	-	1,928,500	455,319	1,473,181
Office General supplies		1,145,000	-	1,145,000	1,139,063	5,937
Fuel Oils and Lubricants		2,229,100	-	2,229,100	698,686	1,530,414
Contracted professional services		8,812,000	-	8,812,000	3,202,280	5,609,720
Machine repairs		5,000,000	-	5,000,000	1,181,833	3,818,167
Purchase of Office Furniture		5,000,000	-	5,000,000	67,779	4,932,221
Bank charges		80,000	-	80,000	117,741	37,741
Business Development & investment promotion		81,100,000	43,000,000	38,100,000	39,175,600	1,075,600
Planning, research & promotion		6,400,000	1,000,000	9,000,000	14,668,906	5,668,906
Engineering		2,450,000	200,000	2,250,000	986,606	1,263,394
Turkwel dam monitoring		5,700,000	300,000	5,400,000	4,223,335	1,176,665

T. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS - CONT

Revenue	Notes	Original	Adjustments	Final budget	Actual on	Performance
		budget			comparable	difference
		2013-2014	2013-2014	2013-2014	2013-2014	2013-2014
		Kshs	Kshs	Kshs	Kshs	Kshs
Livestock(chem.,cheson., nomotio.weiwei)		15,860,000	- 4,500,000	11,360,000	5,985,333	5,374,667
Kabarnet wood workshop		10,000,000		10,000,000	6,629,655	3,370,345
Rokocho		16,000,000		16,000,000	14,498,951	1,501,049
Fruits seedlings (tot, aror, weiwei, kimwarer, suam,		17,500,000	- 2,000,000	15,500,000	8,708,800	6,791,200
Crops production (tot, aror, weiwei, Kerio roses & f		10,000,000		10,000,000	24,806,295	- 14,806,295
Weiwei phase III	24(i)	45,000,000		45,000,000	3,301,096	41,698,904
Cherangany		2,500,000		2,500,000	1,353,500	1,146,500
Upper turkwel(suam)		7,400,000		7,400,000	5,894,451	1,505,549
Intergrated catchment conservation		2,840,000		2,840,000	2,444,610	395,390
Kvda-regional offices		8,900,000		4,845,500	4,845,500	-
Trainning		3,500,000		3,500,000	3,002,390	497,610
Ict		3,000,000	- 1,000,000	2,000,000	774,068	1,225,932
Water Harvestinh					7,532,258	- 7,532,258
Public Relation		5,650,000		5,650,000	5,148,005	501,995
Transport		14,500,000		14,500,000	2,781,134	11,718,866
Performance contracting target activities		1,150,000		1,150,000	985,986	164,014
Marich pass funds (KIDP)	24(i)		52,000,000	52,000,000	-	52,000,000
Restricted funds			67,165,416	67,165,416	67,165,416	-
Depreciation					125,003,365	- 125,003,365
Audit Fees					812,000	- 812,000
Water and Electricity					302,862	- 302,862
Bad debts w/o					2,313,610	- 2,313,610
Donations-Food security			1,000,000	1,000,000	1,000,000	-
Total expenditure		615,347,387		691,636,257	597,741,252	93,895,005
Suplus/deficit for the year		154,618,096		319,202,646	281,015,740	85,729,422

33) Notes; Explaining statement of comparison of Budget and actuals.

a). The Authority received funds of **Kshs 52 million and 45 million** for Marich Pass and counter part funds for Wei wei phase III project respectively in the financial year 2014/2015. This funds were in the printed estimates for the year 2013/2014.

b). The authority expected to build a mango juice processing plant at Elgeyo Marakwet County to boost revenue generation of **Kshs 129,029,900**. However this was not achieved

c) Employee compensation

There was the intention to harmonise salaries by the Government through SRC.

The Authority did a budget considering enhancing employee compensation to merge that of the Government which was put on hold by SRC.

d) Rent and Rates

The Authority had budgeted for the rent & rates including arrears the authority owes the county but the county government extended a waiver on all penalties which resulted to the huge saving.

e) For recurrent Expenditure, we spent funds generated from our revenue sources.

During the year we were not able to generate funds as projected.

f) For Development Expenditure, the Authority does not have control over release of funds from the exchsqer. Differences reflected in the budget of comparison occur as a result of the delays.

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation-IPSAS 1

The entity's financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS). The financial statements have been prepared in Kenya shillings, which is the functional and reporting currency of the entity and values are rounded to the nearest shilling. The financial statements are prepared on historical cost. The cash flow statement is prepared using indirect method. The financial statements are prepared on accrual basis.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2) Revenue recognition

i) Revenue from non-exchange transactions-IPSAS 23

Revenue from non-exchange transactions and other Government entities are recognized at their fair value on obtaining control over them.

ii). Revenue from exchange transactions-IPSAS 9

Sale of goods

Revenue from sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, on delivery of the goods and revenue can reliably be measured.

iii) Rental income

Rental income arising from operating leases on investment properties is accounted for on line basis over the lease term and included in revenue

3) Restricted/Conditional Funds

The Authority recognises conditional funds as income but this is only if it is certain that it will meet and comply with conditions attached to these funds. IAS NO 20

4) Budget information – IPSAS 24

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 entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity 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.

5) Property, plant and equipment – IPSAS 17

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 entity 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.

6) Inventories – IPSAS 12

Inventory is measured at cost upon initial recognition. To the extent that inventory was recognized 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. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

7) Provisions – IPSAS 19

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

8) Cash and cash equivalents

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

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**9) Government Grants**

The Authority during the year received a total of **Kshs.332,038,747** grants for core activities made up as follows:

Description	2013-2014	2012-2013
	Kshs.	Kshs.
Recurrent	112,906,896	106,906,896
Development	219,131,851	153,397,254
Total	332,038,747	260,304,150

10) Appropriation In Aid**(a) Rent: - KVDA Plaza & Staff housing**

Rent	67,395,806	59,052,930
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(b) Other Income

Description	2013-2014	2012-2013
	Kshs.	Kshs.
Beekeeping	11,877,471	9,024,905
Sale of Farm Produce	7,125,003	5,623,525
Hire of Plant Equipment	1,683,083	4,047,416
Sale of Boarded Stores	-	3,900
Miscellaneous/interest	14,385,269	27,862,481
Sale of Tenders	1,070,000	770,500
Guest Houses	173,800	282,800
Sale of Fruit Tree Seedlings	1,979,898	3,798,345
Rent (staff houses)	-	1,757,849
Legal fee	536,399	-
Surcharge	-	66,400
Total	38,830,923	53,238,121
(c) Kenya Electricity Generating Co. Ltd	45,000,000	45,000,000
Grand Total AIA =(a) (b) + (c)	151,226,729	157,291,051

11) Employee Costs (Personal Emoluments)

Description	2012-2013
	Kshs.
Personal Emoluments	113,741,545
House Allowance	42,354,800
Acting Allowance	251,242
Hardship Allowance	4,435,440
Medical Allowance	836,115
Special Duty Allowance	452,990
Extraneous Allowance	1,070,155
Leave & Passage	3,821,328
Commuter Allowance	26,861,333
N.S.S.F Employer's portion	2,019,387
Pension & Gratuity	8,785,264
Transfer Allowance	917,668
Contractual Employees	-
Sub-Total	205,802,869

Initially the contractual employees were captured under personnel emoluments

12) Administration and Operation expenses

(a) Administration Expenses

Description	2013-2014	2012-2013
	Kshs	Kshs
Utilities, Supplies and Services	-	7,808,418
Communication & Supplies Services	1,721,147	1,235,645
Daily subst/Traveling & Accommodation	2,533,449	992,670
Rent & Rates-Residential	1,328,358	1,381,879
Funeral Expenses	271,100	291,445
Hospitality	3,563,539	880,611
Insurance of Properties	2,683,226	6,997,609
Purchase of Uniforms & Safety	455,319	-
Office General Supplies (Stationery)	1,139,063	737,637
Fuels, oil and lubricants	698,686	290,868
Contracted Professional Services	3,202,280	7,861,137
Routine Maintenance of Assets	1,181,833	1,507,474
Purchase of Office Furniture & Fittings	67,779	94,000
Bank Charges	117,741	35,744
Staff Audit & Evaluation	-	4,420
Purchase of Tools	-	14,765
Sub totals	18,963,520	30,134,322

Utilities, Supplies and Services were captured under Business Development

(b) Operation Expenses

Description	2013-2014	2012-2013
	Kshs.	Kshs.
Business development & Investment		
Promotion	39,175,600	13,523,706
Planning, research & promotion	14,668,906	8,235,259
Engineering mineral & water resources	986,606	501,343
Turkwel dam monitoring	4,223,335	6,311,270
Chemeron farm	3,812,395	3,572,462
Chesongoch	1,012,425	-
Nomotio	379,550	-
Fisheries weiwei	780,963	-
Kabarnet wood workshop	5,817,765	-
Rokocho	14,498,951	-
Fruits seedlings	8,708,800	-
Crops production- tot	3,777,938	8,366,640
Crops production -weiwei	9,833,563	5,070,755
Weiwei phase 11	811,890	-
Weiwei phase 111	3,301,096	-
Crops production arbor	8,425,429	-
Crops production kerio roses	2,769,365	-
Cherangany	1,353,500	3,127,854
Upper turkwel(suam)	5,894,451	9,342,268
Intergrated catchment conservation	2,444,610	-
Regional offices	4,845,500	8,533,129

Training	3,002,390	1,114,935
Information Communication Technology	774,068	1,109,905
Water harvesting	7,532,258	-
Public Relations	5,148,005	3,062,311
Transport	2,781,134	-
Service delivery	537,534	-
HIV and alcohol	37,320	123,887
Work environment	103,532	-
Drug and substance abuse	85,000	-
Gender mainstreaming	118,500	226,356
ISO certification	-	61,747
Disability	104,100	51,900
Customer satisfaction	-	23,820
Performance contracting (Others)	-	358,742
Fuel and Lubricants	-	7,951,147
Catchment conservation-Upper Turkwel	-	2,208,707
Totals	<u>157,746,512</u>	<u>82,878,143</u>
Grand Total= (a)+ (b)	<u><u>176,710,032</u></u>	<u><u>107,988,767</u></u>

13) Restricted funds	2013-2014	2012-2013
Payee	kshs	kshs
Economic Stimulus Program		
- Arror	4,743,041	
- Tot	26,602,103	1,512,448
- Loyapat	14,974,269	1415780
- Ptokou Sangat	3,968,888	-
- Kapkobil	12,162,149	27,511,979
- Kamokio	38,000	-
Maize Sheller-Wei wei	5,269	-
Kerio Roses	-	5,217,427
KVDA_PLAZA	-	1,062,500
Sub-total	62,493,719	36,720,134
Water harvesting		
- Pokot county	551,054	-
- Elgeiyo county	509,609	
- Turkana county	689,539	-
- Uasin Gishu county	265,144	
- Trans-zoia county	664,395	-
- Head quarter related costs	284,280	-
- Samburu county	1,207,461	-
	500,214	-
Sub-total	4,671,696	
Grand total	67,165,416	73,440,268

14) Cash & Bank Balances

These are various cash and bank Cash Book balances maintained & operated by the Authority namely:-

Account name	2013-2014	2012-2013
	Kshs	KShs.
Development A/C	12,962,186	43,085,364
Premises A/C	3,463,757	3,447,285
Turkwel Gorge A/C	183,858	8,573,751
Recurrent A/C	1,612,116	-
KVDA Sigor A/C	154,401	150,202
KVDA Service Centre A/C	502,152	352,686
Service Charge	40,324	125,581
KVDA Farm Produce	2,573,844	1,481,020
KVDA Machinery	526,607	1,631,710
KVDA Kerio Region	133,345	75,083
KVDA LakeBaringo Region	42,514	107,996
KVDA.Turkana Region Office	62,999	
KVDA Sambur Region Office	477,923	
KVDA LakeTurkwel Region	30,284	139,839
KVDA Depreciation A/C	282,075	-
KVDA Honey	4,049,261	-
Restricted funds: -		
Economic Stimulus Programm	101,540,976	154,618,096
Water pan a/c	220,175,124	-
Total	348,813,746	213,788,613

15) **Expenditure;** Except for Capital items, All expenditure is of revenue nature.

16) Fixed assets are depreciated (on prorata basis) on their reducing Net Book

Value (NBV) balances. Depreciation is charged fully on the year of purchase and none in the year of disposal

Depreciation rates

<u>Assets category</u>	<u>Annual %</u>
(i) Buildings- Permanent	2%
(ii) Buildings- Semi-permanent	10%
(iii) Plant, machines & Farm Equipment	25%
(iv) Motor Vehicles	25%
(v) Tractors & Dozzers	25.00%
(vi) Office Furniture & Fittings	12.50%
(vii) Loose Tools & Equipments	12.50%
(viii) Survey & Drawing Equipments	12.50%
(ix) Office machines & Equipments	12.50%
(x) House Furniture & Fittings	12.50%

17) Biological Assets

Biological Assets include tree seedling and farm animals. These assets are valued at cost.

18) Inventory

Stock is valued at cost or at net realizable value.

19) Receipts from Exchange Transactions

<u>Description</u>	<u>2013-2014</u>	<u>2012-2013</u>
	<u>kshs</u>	<u>KShs.</u>
Staff debts	1,742,606	3,772,139
Trade debtors	14,835,805	18,612,431
Sales	462,057	-
Printing Services	1,419,601	1,419,601
Salary advances/IOUs	3,976,593	4,112,571
G O K – grant (development)	85,612,400	3,408,908
Total	108,049,062	31,325,650

(b) Trade & other Receivables from Exchange Transactions (Pre-payments)

<u>Description</u>	<u>2013-1014</u>	<u>2012-2013</u>
	<u>kshs</u>	<u>KShs.</u>
Uday Patel & Company	-	3,257,335
Toyota	200,000	200,000
KPLC(Bank Guarantee)	-	652,000
Yashinoya Trading Co. LTD	3,000,000	-
Wambwa Musembi, Chebii & Co. Advocates	879,996	-
Total	4,079,996	4,109,335

(c) Doubtful debts

During the period under review the Authority has provided for debts which its collection is doubtful. This include:-

<u>Name</u>	<u>Amount</u>	<u>Amount</u>
	<u>kshs</u>	<u>kshs</u>
Former Managing Director I. Imana	22,090,971	22,090,971
Former Directors	316,740	316,740
Former Employees	1,506,195	1,506,195
Tenants who have since left premises	7,937,387	8,665,563
Jim Choge	-	1,524,084
Total	31,851,293	34,103,553
Grand Total (a)+(b)+(c)	143,976,351	38,212,888

20) Changes in Receivables

	2013-2014	2012-2013
	KShs	KShs
Balance b/f	69,538,538	88,413,798
Balance c/d	143,976,351	69,538,538
	(74,437,813)	18,875,260

21) Bad Debts Write Offs

During the year, debts totalling to **ksh.2,313,610** were written off. This consist of deposit for provision of legal services and rent arrears of **ksh 1,524,084** and **ksh 789,526** respectively. No debts were written off in 2012/2013 financial year.

22) Inventory

	2013-2014	2012-2013
Category	KShs	KShs
Spare Parts	4,033,143	3,445,456
Tools & Equipments	8,593,418	2,898,489
Building & Plumbing	11,186,846	11,990,112
Stationery	1,752,612	474,802
Farm inputs	1,902,702	1,510,515
Fuel, Oil lubricants	181,709	264,191
Electrical	478,070	496,802
Processed Honey	5,078,200	923,950
General stores	856,335	1,445,364
Farm produce	12,000	13,970
Protective clothing	3,044	22,347
Crude and semi processed Honey	10,407,718	5,974,761
Honey products (wax)	45,180	57,420
miscileneous	204,614	-
Irrigation equipments	472,500	-
Packaging Materials	727,709	-
Fodder [Live Stock]	210,360	-
Agro-Vet [Live Stock]	22,220	-
Crystalized Honey	95,860	-
Total	46,264,240	29,518,179

	2013-2014	2012-2013
	KShs	KShs
23) Increase/Decrease in inventories		
Balance b/f	29,518,179	19,544,837
Balance c/d	46,264,240	29,518,179
	(16,746,061)	(9,973,342)

24) Fixed Assets

The fixed asset is as per the fixed assets schedule (page 39) and includes Turkwel Gorge Project Assets whose cost was **kshs7,000,246,800** was reinstated in the books. This raised depreciation to Kshs 125,003,365 which resulted to a deficit of **Kshs 43,700,360**

25) Biological Assets

	2013-2014	2012-2013
Description	Kshs	Kshs
Seedlings	36,003,256	26,490,605
Animal Goats	45,500	40,000
Animal Sahiwal Cattle	2,088,000	1,531,000
Total	38,136,756	28,061,605

26) Changes in Biological Assets

	2013-2014	2012-2013
	Kshs	Kshs
Balance b/f	28,061,605	4,894,255
Balance c/d	38,948,756	28,061,605
	(10,887,151)	(23,167,350)

27) Work in Progress computation.

Balance b/f	-	510,794,494
Less value Kimao Dam (capitalised)	-	- 214,912,211
Prior Year Adjustment	-	295,882,283

28) Trade & Other Payables from Exchange Transactions

Description	2013-2014	2012-2013
	Kshs	KShs.
Creditors (Recurrent A/C)	31,108,105	39,833,364
Unremitted salary deductions	17,100,538	17,157,057
Pensions /Insurance Refunds	3,330,777	1,649,557
Premises (tenants' prepayment)	1,528,897	2,068,872
Other Creditors(retention funds)	17,054,896	3,553,721
Sub-Total	70,123,213	64,262,571
Restricted Funds	321,716,100	-
Total	391,839,313	64,262,571

29) Increase in Trade & other payables from exchange Transactions (workings)

	2013-2014	2012-2013
	Kshs	KShs.
Balance b/f	64,262,571	62,824,299
Balance c/d	70,123,213	64,262,571
	5,860,642	1,438,272

30 Increase in Conditional/Restricted GOK funds

	2013-2014	2012-2013
	Kshs	KShs.
Balance b/f (Restricted Funds)	154,618,096	-
GOK receipts	237,263,420	-
Yashinoya Trading Co. LTD	- 3,000,000	-
Expenditure	(67,165,416)	-
GOK-Restricted c/d	321,716,100	154,618,096
Increase/Decrease in GOK liabilities	167,098,004	154,618,096

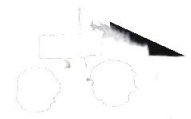
31) Audit Fees

	2013-2014	2012-2013
	Kshs	KShs.
Note: Audit Fee balance b/f	812,000	-
Adjustment (unpaid2012)	300,000	-
Balance c/d	-	812,000
Total Balance c/d	1,112,000	812,000

32) CONTIGENT ITEMS

Included in the exchange transactions are receivables deposited by the authority to enable the Authority make an appeal in a court case NO. 96 of 2013 of kshs 879,996. This money was deposited as a result of a court order. The Authority has high chance of winning this case.

KERIO VALLEY DEVELOPMENT AUTHORITY



NO35
 NOTES TO FINANCIAL STATEMENTS
 KERIO VALLEY DEVELOPMENT AUTHORITY
 NON -CURRENT ASSETS SCHEDULE FOR THE PERIOD ENDED 30th JUNE 2014
 PROPERTY, PLANT & EQUIPMENT IN (KSHS)

	LAND KSHS	SURVEY & DRAWING EQUIPT. KSHS	BUILDINGS /PERMANENT KSHS	BUILDING PERMANENT KSHS	PLANT MACHINERY & EQUIPMENT KSHS	OFFICE MACHINERY & FITTINGS KSHS	MOTOR VEHICLES & LORRIES KSHS	TRACTORS & DOZERS KSHS	OFFICE FURNITURE & FITTINGS KSHS	HOUSE FURNITURE & FITTINGS KSHS	LOOSE TOOLS & EQUIPT. KSHS	TURKWELE PROJECT	WIP Restricted Funds	TOTALS KSHS
Cost as at 1/7 2013	87,879,950	6,941,117	9,855,151	889,263,261	16,161,229	18,541,687	64,327,511	37,925,776	5,474,197	1,983,566	1,841,161	7,000,246,800	233,329,089	8,371,786,929
Additions	-	58,000	-	-	85,000	911,385	12,343,916	-	74,000	-	267,000	1,062,500	-	14,801,801
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revaluations- Assets	-	-	-	61,200,000	-	-	-	-	-	-	-	-	-	61,200,000
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-233,329,089	(233,329,089)
Total	87,879,950	6,999,117	9,855,151	950,463,261	16,246,229	19,453,072	76,671,427	37,925,776	5,548,197	1,983,566	2,108,161	7,001,309,300	-	8,216,443,207
Accumulated Depreciation 1/7/2013	-	4,424,242	8,971,718	201,700,998	10,619,100	10,075,154	52,796,269	24,316,959	3,751,868	1,627,773	1,666,095	2,134,127,925	-	2,454,078,101
Charge for the year	-	321,859	88,343	14,975,245	1,406,782	1,172,240	5,968,790	3,402,204	224,541	44,474	55,258	97,343,628	-	125,003,365
Accumulated Depreciation 30/06/2014	-	4,746,101	9,060,061	216,676,243	12,025,882	11,247,394	58,765,059	27,719,163	3,976,409	1,672,247	1,721,353	2,231,471,552	-	2,579,081,465
NBV 30/6/2014	87,879,950	2,253,016	795,090	733,787,018	4,220,347	8,205,678	17,906,369	10,206,613	1,571,788	311,319	386,808	4,769,837,748	-	5,637,361,742
NBV 30/6/2013	87,879,950	2,516,862	913,535	691,510,373	5,545,951	8,545,153	15,450,570	11,502,483	1,774,095	350,556	164,252	4,866,118,875	233,329,089	5,925,251,188

KERIO VALLEY DEVELOPMENT AUTHORITY

NON-CURRENT ASSETS FOR THE YEAR ENDED 30TH JUNE , 2013

	RESTATED-PROPERTY, PLANT & EQUIPMENT											IN (KSHS)		Turkwel Gorge	WORK IN PROGRESS (TOT, ARROR,PTOKO ID)	TOTALS KSHS
	LAND KSHS.	SURVEY & DRAWING EQUIP. KSHS	BUILDING S/PERMANENT KSHS	BUILDING PERMANENT KSHS	PLANT MACHINERY & EQUIP.KSHS	OFFICE MACHINERY & FITTINGS KSHS	MOTOR VEHICLES & LORRIES KSHS	TRACTORS & DOZERS KSHS	OFFICE FURNITURE & FITTINGS KSHS	HOUSE FURNITURE & FITTINGS KSHS	LOOSE TOOLS & EQUIP. KSHS					
Cost as at July, 2012	83,879,950	4,682,255	9,855,151	674,351,050	10,053,431	16,911,529	67,033,211	37,925,776	4,394,707	1,983,566	1,841,161			400,462,166	1,313,373,953	
Additions	4,000,000	2,258,862		214,912,211	6,107,798	1,630,158	1,394,300		1,079,490					47,779,134	279,161,953	
Disposals							-4,100,000								-4,100,000	
Revaluation of Assets															0	
Adjustments												7,000,246,800		-214,912,211	6,785,334,589	
Totals	87,879,950	6,941,117	9,855,151	889,263,261	16,161,229	18,541,687	64,327,511	37,925,776	5,474,197	1,983,566	1,841,161	7,000,246,800	233,329,089	8,373,770,495		
1st July, 2012		4,064,688	8,873,559	187,669,115	8,771,723	8,865,649	48,952,522	19,780,686	3,505,821	1,576,945	1,641,086				293,701,794	
PYA Adjustments	-	15	-33,447	-4,028,684	-5,095	-89,851	186,105	2,808,446	-59,161	5,986	12,358	2,034,819,376		0	2,033,616,048	
Adjusted depreciation		4,064,703	8,840,112	183,640,431	8,766,628	8,775,798	49,138,627	22,589,132	3,446,660	1,582,931	1,653,444			0	292,498,466	
Charge for the year		359,552	101,504	14,112,457	1,848,650	1,220,736	3,797,221	3,834,161	253,442	50,079	23,465	99,308,549	-		124,909,816	
Disposals & Adjustments							-4,058,907								-4,058,907	
Accumulated depreciation		4,424,255	8,941,616	197,752,888	10,615,278	9,996,534	48,876,941	26,423,293	3,700,102	1,633,010	1,676,909	2,134,127,925			2,448,168,751	
NBV June,2013	87,879,950	2,516,862	913,535	691,510,373	5,545,951	8,545,153	15,450,570	11,502,483	1,774,095	350,556	164,252	4,866,118,875	233,329,089	5,925,601,744		
NBV June 2012	83,879,950	617,567	981,592	486,681,935	1,281,708	8,045,880	18,080,689	16,145,090	888,886	406,621	200,075	0	400,462,166	1,017,672,159		