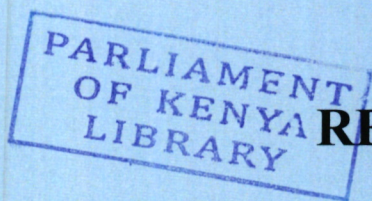


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Paper laid by LOM
Wednesday 29/11/17
Afternoon
sitting*



REPORT



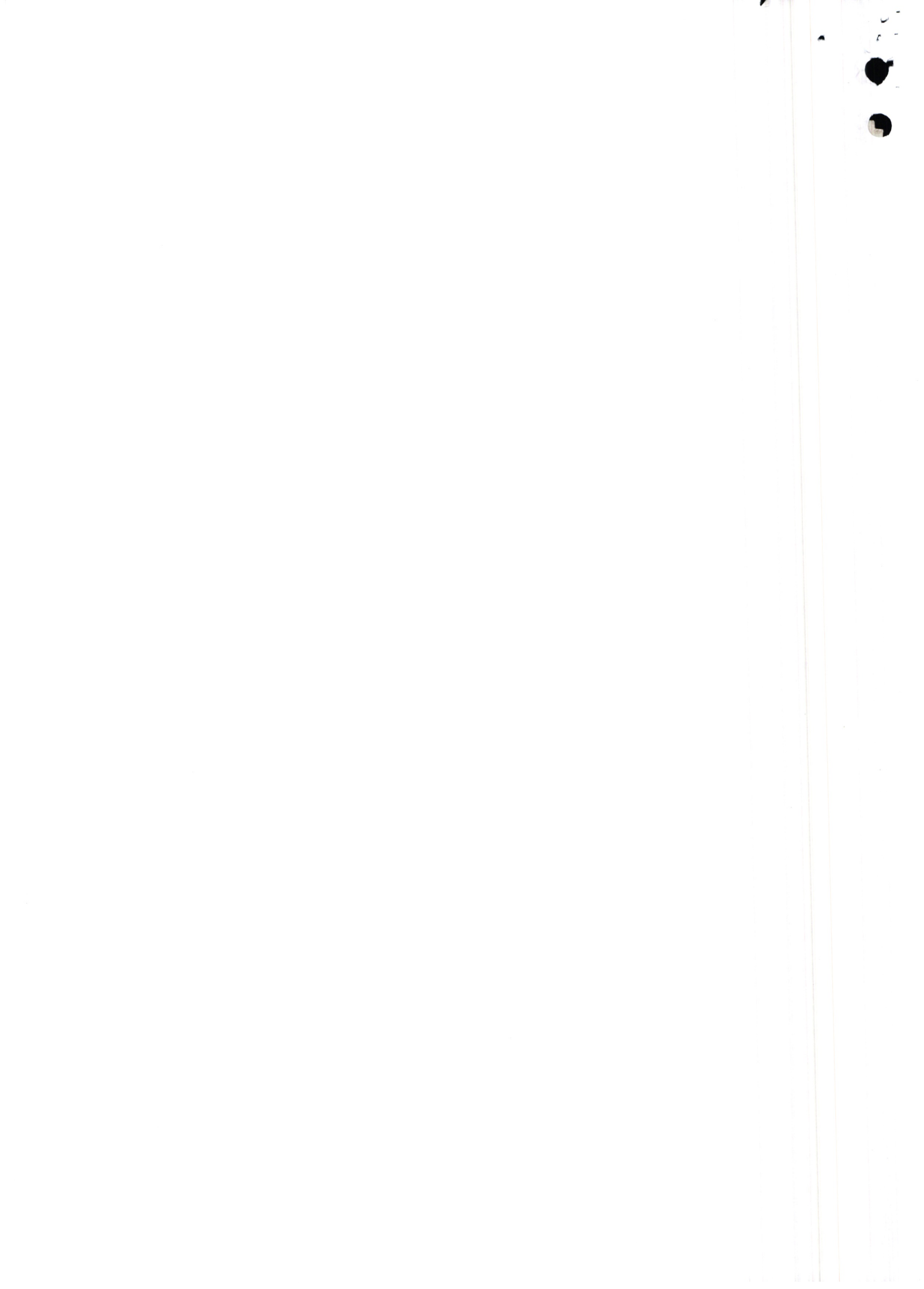
OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KERIO VALLEY DEVELOPMENT
AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE 2016**





ANNUAL FINANCIAL STATEMENTS

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

FOR THE YEAR ENDED 30TH JUNE 2016

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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 a Leading Regional Partner in Integrated and Sustainable Economic Development.

Mission Statement

To deliver sustainable business solutions in river basin development through prudent management of resources for economic prosperity of the people.

Core Values

- **Integrity;** - As an Authority we will be sincere & uncompromising in serving the public.
- **Respectful;** - We will serve people with courtesy & fairness.
- **Accountability;** - We will conduct business in a transparent & accountable manner.
- **Teamwork;** - We will operate and work together for the common good of the people.
- **Creativity & Innovation;** - We will nature and adopt new technology in our operations.
- **Customer focus;** - We will endeavour to understand our customer needs and consistently strive to satisfy them.

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 once during each quarter First, Second, and Third respectively.

The 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. Haron Koimur - Chairman
2. Mrs. Kezia Ngina - Member
3. Mr. Amos Ndalutt - Member
4. Mr. Augustine Kenduiwo - (Alt Director to PS, Min of Devolution and Planning)
5. Mr. David Gichuhi - (Alt. Director to Inspectorate of State Corporations)
6. Mr. Thomas Kibos - MIA KVDA

b) Finance & Establishment Committee

There is Finance and Establishment Committee Comprising of six members who met once in each quarter First, Second, and Third respectively. 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. Tom Letiwa - Chairman
2. Ms. Getrude Kemboi - Member
3. Mr. David Komen - Alt Director to CS, The National Treasury
4. Mr. Augustine Kenduiwo - Alt Director to PS, Min of Devolution and Planning
5. Mr. A. Mohamed Jabane - Alt Director to Chief of Staff & Head of Public Service
6. Mr. Lilian Abishai - Alt. Director to Attorney General
7. Mr. David Kimosop - Managing Director

c) Development & Environment Committee

This Committee comprises of five members who met once in each quarter First, Second and Third respectively. They are 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.

The members of this committee are:

1. Mr. Nixon K. Yegon - Chairman
2. Mrs. Dinah Chelanga - Member
3. Ms. Gladys Korii - Member
4. Mr. James Yatich - Alt Director to PS, Min of Water & Irrigation
5. Mr. Nehemiah Tuitoek - Alt Director to PS, Min of Agr. Livestock & Fisheries
6. Mr. David Kimosop - Managing Director

d) Headquarters

KVDA PLAZA,
14TH Floor,
Oloo Street,
P.O. BOX 2660- 30100
TEL: 053-2063361/3 Fax 2063364
ELDORET
EMAIL: info@kvda.go.ke

National Bank of Kenya,
Harambee Avenue,
P.O. BOX 72866-00200
NAIROBI

e) Bankers

Kenya Commercial Bank
Kencom House
P.O. Box 48400-00100
NAIROBI.

f) Independent Auditors
The Auditor General,
Kenya National Audit Office,
P.O. BOX 30084 – 00100
NAIROBI

g) Principle Legal Adviser
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112-00200
NAIROBI.

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. 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. 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.



Mr. Augustine Kenduiwo
 Alt. Director, P.S. Min. of
 Regional Development.
 Holds Masters in Env. Plng,
 BSc. (Agriculture) from
 UON. Lead expert in Env.
 Audit & EIA with NEMA.
 Member of
 Env. Institute of Kenya.



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. 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. Tom Letiwa
 Chairman Development
 Committee, Holds Bachelors
 Degree in Marketing



Mr. Nixon K. Yegon
 Chairman Finance &
 Establishment Committee
 Holds BED Sc. (Moi Univ.)



Mr. Harun Koimur
 Chairman Audit & Risk
 Committee. Holds MBA, CPA
 (K), SAP Consultant/Trainer



Ms. Gladys Korii
 Board Member
 Holds Diploma in
 Supplies.



Mr Amos Ndalut
 Board Member
 Holds BSC in Hort.
 Moi University



Ms. Getrude Kemboi
 Board Member. MBA,
 BCOM, CPA(K),CPS(K)



Mrs. Dinah Chelanga
 Board Member.
 Holds H. Diploma
 Psych. Counseling.

II. 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
Chief Manager Planning Research & Development

Born 1966 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 Business
Development & Investment
promotion

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 Ass. HRO KVDA, Teacher Kocholwo Sec School. Has attended various management workshops and seminar.



Mr Moses Kipchumba
Chief Manager Finance

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



Esther J. Kiror
Legal Officer

Born 1975 Holds LLB Moi University, Worked as Asst Legal Officer - KVDA



Mr William K. Maina
Supplies and Procurement
Manager.

Born 1968. Holds MBA, BCom, Poona University (India), Dip Ms Office, Dip Purchasing & Sup Mgt. Worked as Head of Suplies Dept. Ampath, Snr Supplies & Procurement Officer MTRH, District Supplies Officer UG District, Supplies Officer II OP.

III. CHAIRMAN'S STATEMENT

It gives me great pleasure to report on Kerio Valley Development Authority's Accounts for 2015/2016 financial year.

The Authority is a corporation wholly funded by the Government of Kenya and its area of operation includes Elgeyo /Marakwet, West Pokot, Turkana, Baringo, Samburu and Parts of Nakuru Counties.

During the year under review, the Authority focused on the following;

- Implementation of the strategic Plan 2014-2018 which seek to transform the region's economy through sustainable exploitation of natural resources in partnership with communities, National and county Governments, Donor and Development Partners. The Plan was guided by the GOK vision 2030.
- Strategic intervention on food security through expansion of irrigation projects.
- Enhance collaboration with the County government and various institutions eg Moi, Eldoret Universities and CALRO among others.
- Undertook resource mobilization abroad and locally through participation in investments, conferences and engaging The National Treasury
- Organized a peace initiative in the region aimed at promoting development.
- Undertook capacity building for the Board of Directors on national cohesion, values and governance.
- Engagement with the Ministry in preparation of RDA bill 2016.
- Undertook corporate social responsibility in the region through donations, sponsorships and contributions towards community programmes.

Conclusion

The board looks forward to continue engaging all stakeholders and undertaking resource mobilization for effective and sustainable in implementation of its programmes within the region.

KERIO VALLEY DEVELOPMENT AUTHORITY
P.O. BOX 2660 ELDORET
TELEPHONE 63361
E.S. Kona
Chairman of the Board

Date 02/09/2016

IV. REPORT OF THE CHIEF EXECUTIVE OFFICER

It is my pleasure to present this draft financial statement for the year ended 30th June 2016. During the period under review we progressed with the set base for growth of the Authority's revenue. The focus was to build on the already laid down foundation for sustainability through expansion of revenue avenues, creation of operational efficiency and restructuring to make the Authority self reliant and eventually create a greater stakeholder's value. This is intended to move the Authority from current dependency on government support to a blue chip institution within a five years period.

Overall, the Authority reported a deficit of **Kshs 193,054,775** million. This was largely due to depreciation expense of Turkwel Dam and development expenditure whose grants had been received in previous years. During the financial year, internally generated income (AIA) increased by 2.5% from **Kshs. 181.88 million** realized in 2014/2015 financial year to **Kshs 186.39 million**. However, the overall income realized from exchequer and AIA was not adequate to cover the recurrent costs. Going in to the 2016/2017 financial year, the following measures will be taken to further improve the financial position of the Authority both in the short and long term:-

- i. 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 to three years.
- ii. Purchasing and refining of **100 tons** of semi-processed honey and selling honey products to raise **Kshs 50 million**.
- iii. 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**.
- iv. Increased growth in our seedlings business which involves raising of **1,000,000** mango fruit seedlings through expansion program of our fruit and tree nurseries. This will see the Authority raise revenue of **Kshs. 50 million**.
- v. The Authority is currently in the process of installing a mango processing unit aimed at enhancing value addition to improve economic status of the communities in the region, increasing Authority's revenue and eventually contribute to the growth of the country's GDP.

- vi. The Management intends to implement development at Turkwel downstream irrigation project that will put an additional 30,000 ha of land under irrigation. This will enhance national food security and peace within the Region.
- vii. 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 members through early voluntary retirement. This will require an estimated **Kshs. 309 million** resulting to a saving of **Kshs. 102 million** annually in personnel costs.

During the financial year, we successfully mobilized necessary resources from external financiers to the tune of Kshs 90 billion for the implementation of three multipurpose projects (Arror, Kimwarer and Embobut). Treasury has however agreed to close the financial agreement for Arror and Kimwarer and indicated that Embobut would be undertaken at a later date. We will now embark on the implementation of the two projects awaiting National Treasury's direction on Embobut. Once completed in the next four years this project will generate much needed revenue to make the institution self sustaining.

In conclusion, the management would like to thank the Parent Ministry, Stakeholders, KVDA entire Board of Directors and Staff for their contributions towards the achievements made during the year.

Signature

KERIO VALLEY DEVELOPMENT AUTHORITY
P.O. BOX 2660 ELDORET
TELEPHONE 63301

David Kimosop

C.E.O/Managing Director

Date: 02/09/2016

V. CORPORATE GOVERNANCE STATEMENT

Corporate Governance is the process by which companies are directed, controlled and held accountable. 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. The business and operations of the Authority will be conducted with integrity, accountability, teamwork, customer focus and embrace internationally developed principles of good governance.

Board of Directors

The Board met five times during the year. The Board has the responsibility of establishing and maintaining the Authority's overall financial, operational and compliance controls well as formulating policies for the Authority.

All Board members except the Managing Director are non executive. The Chairman is appointed by the President whereas the other members are appointed by the Minister.

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 serve with uncompromising spirit in serving the public.

VI. 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.

VII. REPORT OF THE DIRECTORS

The Directors submit their report together with draft financial statements for the year ended 30th June, 2016 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, 2016 are set out on pages 21 to 39

Directors

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

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

Signature


KERIO VALLEY DEVELOPMENT AUTHORITY
P.O. BOX 2660 ELDORET
TELEPHONE 63361
E. S. Kona

Chairman – BOD

Date 02/09/2016

VIII. 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 2nd September 2016 and signed on its behalf by: -

Signature

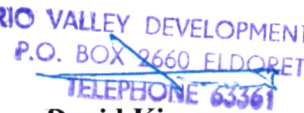
Signature


KERIO VALLEY DEVELOPMENT AUTHORITY
P.O. BOX 2660 ELDORET
TELEPHONE 63361

E. S. Kona

Chairman – BOD

Date: 02/09/2016


KERIO VALLEY DEVELOPMENT AUTHORITY
P.O. BOX 2660 ELDORET
TELEPHONE 63361

David Kimosop

C.E.O/Managing Director

Date: 02/09/2016

IX. REPORT OF THE INDEPENDENT AUDITORS RESPONSIBILITY

It is the responsibility of the independent Auditor to express an opinion in the Financial Statement based on their Audit. The 2015/2016 Audited Financial Statements will be attached when the Auditors audit and express their opinion.

REPUBLIC OF KENYA

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Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.oagkenya.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KERIO VALLEY DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kerio Valley Development Authority set out on pages 19 to 37, which comprise the statement of financial position as at 30 June 2016, 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 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.

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 47 of the Public Audit Act, 2015.

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 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. 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 amount 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

Report of the Auditor-General on the Financial Statements of Kerio Valley Development Authority for the year ended 30 June 2016

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 Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.273,648,248 as at 30 June 2016. However, audit review of the bank reconciliation statement for KCB Development Bank account No 1169784720 with bank balance of Kshs.119,920,795.80 as at 30 June 2016 revealed unrepresented cheques amounting to Kshs.6,113,163.75 out of which, cheques totalling Kshs. 323,176 were dated December 2015 and earlier and were therefore stale but had not been reversed in the cashbook. No reason was however provided for the failure to reverse these stale cheques. In addition, KCB Turkwel bank account No 1169785344 with bank balance of Kshs.832.90 showed an unrepresented cheque dated 31 October 2015 amounting to Kshs.11,551.20 and which was indicated as suspense. However, no reason was provided for non-clearance of this long outstanding item.

In view of these anomalies, the accuracy and validity of the cash and cash equivalent balance of Kshs.273,648,248 as at 30 June 2016 cannot be confirmed.

2.0 Investment Property

The statement of financial position reflects investment property balance of Kshs.723,372,213 as at 30 June 2016 as disclosed under Note 30 to the financial statements and which amount relates to the net book value of permanent buildings. However, a detailed schedule of the investment property together with valuation reports showing how rents paid were determined were not provided for audit review.

In the circumstance, the validity and accuracy of the investment property balance of Kshs.723,372,213 as at 30 June 2016 cannot be confirmed.

3.0 Statement of Cash Flows

The statement of cash flows for the year ended 30 June 2016 reflects receipts from asset disposals amounting to Kshs.810,428 while records availed for audit shows a figure of Kshs.379,181 resulting in a variance of Kshs.431,247 which has not been explained or reconciled. Consequently, the accuracy of the cash flow statement for the year ended 30 June 2016 cannot be confirmed.

4.0 Trade and Other Receivables

4.1 Doubtful Debts

As previously reported, the doubtful debts balance of Kshs.37,969,252 as at 30 June 2016, as disclosed in Note 17(c) to the financial statements, includes a sum of Kshs.22,090,971 owed by a former Managing Director, Kshs.316,740 by former Directors, Kshs.1,506,195 by former staff and Kshs.14,055,346 by former tenants who vacated the premises with rental arrears. However, as previously reported, the management has not indicated the efforts it has made to collect the debts. Consequently, the validity and accuracy of the trade and other receivables balance of Kshs.45,982,860 cannot be confirmed.

4.2 Staff Debtors

The receivables from exchange transactions balance of Kshs.45,982,860 includes staff debtors' amount of Kshs.281,290 and salary advances/IOUs amount of Kshs.4,459,181 as disclosed in Note 17(b) to the financial statements. These staff debtors and salary advances/IOUs all totalling Kshs.4,740,471 relate to the period July 2015 and earlier. However, no justifiable reason has been given for failure to recover these staff debtors which have been outstanding for a long period of time. Further no provision has been made in respect of the debts although their collectability is doubtful.

Consequently, the validity and accuracy of the staff debtors balance of Kshs.4,740,471 as at 30 June 2016 cannot be confirmed.

5.0 Trade and Other Payables

5.1 Employee Benefits Obligation

As reported in the previous year, included in the trade and other payables balance of Kshs.94,567,745 as at 30 June 2016 are staff benefit obligations amounting to Kshs.16,934,606 relating to the period August 2000 and June 2012 that had not been remitted to the respective pension managers (trustees) contrary to the Retirement Benefits Act No.3 of 1997 which requires employers to remit pension deductions to the respective

schemes within 15 days of making the deduction. Although management has explained that the delay has been occasioned by lack of funds and that the Board has approved disposal of some Authority assets to clear the obligation, no documentary evidence has been provided for audit verification.

The Authority is therefore in breach of the Retirement Benefits' Act No. 3 of 1997 and is thus faced with risk of fines and penalties for failure to remit the staff benefits.

6.0 Construction of Civil Works

6.1 Construction of Matakul Water Pan-Turkana County

Included in the restricted funds expenditure of Kshs.96,763,843 for the year ended 30 June 2016 as disclosed under Note 12 to the financial statements is Turkana County balance of Kshs.11,929,956 out of which Kshs.10,304,457 was incurred on the construction of Matakul Water Pan. The contract was awarded to a construction company through restricted tendering at a contract sum of Kshs.10,304,457. According to the contract signed on 3 December 2015, the works were to commence on 4 December 2015 and was expected to be completed within 60 days on 2 February 2016. Although the works were completed in April 2016 as per the completion certificate dated 19 April 2016 after which the contractor raised invoice No 003 dated 22 April 2016 for Kshs.10,304,457 and the full contract sum of Kshs.10,304,457 paid on 27 May 2016, physical verification of the project in April 2017 revealed that despite the works being complete, the water pan was holding very little water. Although it has been explained that this was as a result of the destruction of the inlet arising from road construction works which redirected the flow of water away from the pan, the management has not indicated the measures it has taken to rectify the situation so that the pan may hold sufficient water and thus serve the purpose for which it was constructed. Consequently, the residents of Turkana County may not have obtained value for money from the expenditure of Kshs.10,304,457 incurred on the construction of the water pan.

6.2 Construction, Installation and Commissioning of Centre Pivot Irrigation System (60 Ha) at Napuu II Project- Turkana County

The statement of financial performance for the year ended 30 June 2016 reflects operational expenses balance of Kshs.226,824,915 as disclosed under Note 16 to the financial statements which include irrigation infrastructure balance of Kshs.83,301,100. Available information indicate that the irrigation infrastructure figure of Kshs.83,301,100 includes four payments totalling Kshs.55,151,917 paid to a construction firm in respect of the construction, installation and commissioning of Centre Pivot Irrigation System at Napuu, Turkana County. The contract was awarded through open tender for a contract sum of Kshs.65,325,375.77. Physical verification of the project in May 2017 revealed that the project was complete and in use. However, the water supply to the project was not

enough to run the two sprinklers to cover the whole scheme as planned but could only run one sprinkler at a time. Although the management has explained that two more boreholes are planned for constructed and completion during 2017/2018, no documentary evidence has been provided to confirm the plan.

Consequently, the Authority and the people of Turkana have not obtained value for Kshs.55,151,917 incurred on the project and further, the propriety of the expenditure cannot 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 Kerio Valley Development Authority as at 30 June 2016, 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 Kerio Valley Development Authority Act, Cap. 441 of the Laws of Kenya.

Other Matter

1.0 Financial Performance

During the year under review, the Authority incurred a deficit of Kshs.193,054,775 (2014/2015 surplus of Kshs.39,296,515) which reduced its revenue reserves to a negative (debit balance) of Kshs.2,027,543,812. Although the Authority recorded favourable working capital of Kshs.201,111,393 as at 30 June 2016, if strategies are not put in place to reverse the loss-making trend, the Authority's future operations are likely to be adversely affected.

2.0 Human Resource Management

2.1 Staff Composition

Included in the statement of financial performance are employee costs amounting to Kshs.200,363,015 for the year ended 30 June 2016. However, audit review of the payroll showed that the Authority had four hundred and ninety one (491) employees out of whom three hundred and eighty seven (387) or 79% were from the local dominant community, while one hundred and four (104) or 21% are from other communities as detailed below:

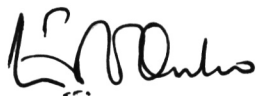
Details	Number of staff	No. from Dominant Community	No. From Other Communities	% Dominant Community
Senior management	23	18	5	78
Middle level management	25	16	9	64
Other permanent staff	443	353	90	80
Total	491	387	104	79

In addition, seven (7) out of nine (9) members of the Board are from the same ethnic community and thus constitute 78% of the board membership. This is contrary to Section 7 of the National Cohesion and Integration Act, 2008 which requires that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community.

Consequently, the management has breached the law.

2.2 Officers In Acting Capacity

Included in employee costs figure of Kshs.200,363,015 is acting allowance expenditure amounting to Kshs.431,303 paid to ten (10) officers employed in acting capacity since January 2013 and earlier. No justifiable reason has been provided for not filling these positions substantively through competitive process as required by the human resource policy of the Authority. Consequently, the Authority has breached its own regulations.



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

Nairobi

01 November 2017

KERIO VALLEY DEVELOPMENT AUTHORITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2015-2016 Kshs	2014-2015 Kshs
Revenue from non-exchange transactions			
Government grants-Unconditional	10	236,796,586	441,906,896
Donations	10	1,314,400	-
Restricted Funds	12	96,763,843	367,304,968
Gain on disposal of Assets	11	379,181	-
		335,254,010	809,211,864
Revenue from exchange transactions			
Appropriation In Aid	13	186,390,825	181,884,603
		521,644,835	991,096,467
Expenses			
Personal Emoluments-Employee costs	14	200,363,015	217,729,386
Administration	15	42,420,953	47,473,681
Operation expenses	16	226,824,884	144,289,083
Restricted Funds	12	96,763,843	367,304,968
Provision for bad debts		-	37,969,252
Board expenses	19	12,694,144	16,062,413
Audit fee	21	812,000	812,000
Interest on Loan	25	19,895,064	-
Depreciation and amortization expense	30	114,925,707	120,159,169
		714,699,610	951,799,952
Surplus before tax		(193,054,775)	39,296,515
Taxation		-	-
Deffered income Suplus/liability		(193,054,775)	39,296,515

The notes set out on pages 26 to 36 form an integral part of the Financial Statements

KERIO VALLEY DEVELOPMENT AUTHORITY

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

Assets	Notes	2015-2016 Kshs	2014-2015 Kshs
Current assets			
Cash and cash equivalents	22	273,648,248	481,145,958
Receivables from exchange transaction	17	45,982,860	107,180,271
Inventories	23	46,790,505	38,955,247
		366,421,613	627,281,476
Non-current assets			
Property, plant and equipment	30	4,945,737,346	4,894,408,944
Investment property	30	723,372,213	720,144,589
Biological Assets	24	38,665,205	34,538,540
		5,707,774,764	5,649,092,073
Total assets		6,074,196,377	6,276,373,549
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	20	94,567,745	147,914,833
Restricted Funds Liability	22	69,630,475	171,833,466
Audit Fees	21	1,112,000	1,112,000
Sub- Total Current liabilities		165,310,220	320,860,299
Non-Current Liabilities	27	240,230,895	93,803,213
Total Liabilities		405,541,115	414,663,512
Total Net Assets		5,668,655,262	5,861,710,037
Capital Reserves	26	7,696,199,073	7,696,199,073
Revenue Reserves		(2,027,543,812)	(1,834,489,037)
Total net assets and liabilities		5,668,655,261	5,861,710,036

The Financial Statements for the year under review were signed by the chairman and Managing Director on behalf of the KVDA Board of Directors:

KERIO VALLEY DEVELOPMENT AUTHORITY
P.O. BOX 2660 ELDORET
TELEPHONE 03391

David Kimosop
C.E.O/ Managing Director
Date 02/09/2016

KERIO VALLEY DEVELOPMENT AUTHORITY
P.O. BOX 2660 ELDORET
TELEPHONE 03391

E.S.Kona
Chairman K.V.D.A Board
Date 02/09/2016

KERIO VALLEY DEVELOPMENT AUTHORITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR
ENDED 30 JUNE 2016

	Notes	capital reserves Kshs	Revenue reserve Kshs	Totals Kshs
Balance as at 1st July 2014		7,696,199,073	(1,873,785,552)	5,822,413,521
Surplus/(deficit) for the period		-	39,296,515	39,296,515
Balance as at 30 June 2015		7,696,199,073	(1,834,489,037)	5,861,710,036
Balance as at 1st July 2015		7,696,199,073	(1,834,489,037)	5,861,710,036
Surplus/(deficit) for the period		-	(193,054,775)	(193,054,775)
Balance as at 30 June 2016		7,696,199,073	(2,027,543,812)	5,668,655,261

KERIO VALLEY DEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2016

		2015-2016	2014-2015
		Kshs	KShs.
Cash Flows from Operating Activities			
Receipts			
Government Grants & Subsidies	10	236,796,586	389,906,896
Donations	10	1,314,400	-
Marich Irrigation Project		-	52,000,000
Receipts From Asset Disposal	11	810,428	-
sale of Goods	13(a&c)	105,751,785	67,674,446
Other Income, rentals	13(b)	80,639,040	114,210,157
Restricted Funds			
Water Harvesting & Storage		-	199,845,916
TOTAL RECEIPTS		425,312,239	823,637,415
Payments/Cash outflows			
Restricted Funds	12	(96,763,843)	(367,304,968)
Compensation of Employees	14	(200,363,015)	(217,729,386)
Goods & Services	15&16	(269,245,837)	(191,762,764)
Board Expenses	19	(12,694,144)	(16,062,413)
Loan intrest repayment	20	(19,408,400)	-
Other payments		-	(2,438,859)
Advance to chaina Wu Yi	17(b)	(5,734,503)	-
Southern Wing Project	27	(146,427,682)	-
		(750,637,424)	(795,298,390)
Net cash generated from operating activities		(325,325,185)	28,339,025
Cash flows from Investing Activities			
Purchase of Property, Plant and Equij	30	(18,152,906)	(3,547,746)
Retention funds		(10,447,301)	23,317,628
		(28,600,207)	19,769,882
Net Cash flow from Investing Activities		(353,925,392)	48,108,907
Cash flows from financing activitiess			
Borrowing	27	146,427,682	93,803,214
Net cash and cash equivalent		(207,497,710)	132,332,212
Cash and cash equivalent at the beginning of the period	22	481,145,958	348,813,746
Net Cash & Cash Equivalent - En	22	273,648,248	481,145,958

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Notes	Original budget 2015-2016 Kshs	Adjustments 2015-2016 Kshs	Final budget 2015-2016 Kshs	Actual on comparable basis 2015-2016 Kshs	Performance difference 2015-2016 Kshs
Revenue						
Restricted funds		171,833,466		171,833,466	96,763,843	75,069,623
Government grants and subsidies		337,395,882		337,395,882	238,110,986	99,284,896
Gain/deficit on Disposal		-		-	379,181	379,181
Rendering of services(turkwel)		45,000,000	-	45,000,000	45,000,000	-
Sale of goods		35,300,000	-	35,300,000	60,751,785	25,451,785
Rental income		58,000,000	-	58,000,000	80,639,040	22,639,040
Total income		647,529,348	-	647,529,348	521,644,835	125,884,513
Expenses						
Personal Emoluments		118,000,000		118,000,000	98,486,494	19,513,506
House Allowance		38,000,000		38,000,000	36,089,830	1,910,170
Acting Allowance		500,000		500,000	431,303	68,697
Hardship Allowance		4,200,000		4,200,000	4,167,686	32,314
Medical Allowance		28,000,000		28,000,000	24,841,688	3,158,312
Special Duty Allowance		600,000		600,000	258,271	341,729
Extraneous Allowance		100,000		100,000	1,007,298	907,298
Leave & Passage		4,000,000		4,000,000	3,418,000	582,000
Commuter Allowance		25,000,000		25,000,000	22,567,000	2,433,000
N.S.S.F Employer's portion		1,500,000		1,500,000	1,198,400	301,600
Pension		6,380,000		6,380,000	6,452,705	72,705
Gratuity		400,000		400,000	-	400,000
Transfer Allowance		500,000		500,000	172,718	327,282
Non Practicing Allowance		60,000		60,000	60,000	-
Cottractual Employees				-	515,313	515,313
Recognition/ Incentive& Awards		500,000		500,000	-	500,000
Disability Help Allowances		360,000		360,000	120,000	240,000
Utilities, Supplies and Services		20,130,000		20,130,000	20,325,573	195,573
Communication & Supplies Services		2,300,000		2,300,000	1,845,392	454,608
Daily subst/Traveling & Accommodation		3,000,000		3,000,000	2,559,113	440,887
Rent & Rates-Residential		2,000,000		2,000,000	2,413,949	413,949
Benevolent Expenses		400,000		400,000	559,500	159,500
Hospitality		4,000,000		4,000,000	3,495,514	504,486
Insurance of Properties		4,430,000		4,430,000	1,015,938	3,414,062
Sub-Total		264,360,000	-	264,360,000	232,001,685	32,358,315

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS - CONT

Purchase of Uniforms & Safety	500,000	500,000	10,385	489,615
Office General Supplies (Stationery)	900,000	900,000	582,742	317,258
Fuels, oil and lubricants	500,000	500,000	109,963	390,037
Routine Maintenance of Assets	2,000,000	2,000,000	544,231	1,455,769
Bank Charges	200,000	200,000	259,228 -	59,228
V.A. T	12,000,000	12,000,000	7,429,601	4,570,399
Contracted Professional Services	2,460,000	2,460,000	1,210,000	1,250,000
Board expenses	14,000,000	14,000,000	12,694,144	1,305,856
Motor Vehicle Repairs	500,000	500,000	30,654	469,346
Office Machines Repair	300,000	300,000	29,170	270,830
Purchase of Office Furniture & Fittings	1,500,000	1,500,000	-	1,500,000
Auditor General	812,000	812,000	812,000	-
Honey Processing- Rokocho			9,039,917	1,960,083
Marketing	11,000,000	11,000,000	591,213 -	591,213
Honey Processing-Kabarnet	4,000,000	4,000,000	2,914,988	1,085,012
Honey -Samburu	1,000,000	1,000,000	39,000	961,000
Crops production- Arror Farm (Kamsiwet)	3,500,000	3,500,000	5,449,374 -	1,949,374
Crops production -weiwei (Soya)	3,000,000	3,000,000	2,159,768	840,232
Crops production -Arror (chepkum)	1,968,588	1,968,588	2,510,734 -	542,146
Crops production -Kerio Roses	1,200,000	1,200,000	1,842,028 -	642,028
Crops production -Lodwar (Green House)	1,000,000	1,000,000	108,020	891,980
Weiwei phase 1 & 11			275,330 -	275,330
Mango & other Fruits seedlings	8,700,000	8,700,000	530,974	8,169,026
Livestock Dev.-Chemeron farm	2,000,000	2,000,000	1,474,296	525,704
Livestock Dev. -Chesongoch	1,800,000	1,800,000	484,711	1,315,289
Livestock Dev. -Samburu (Nomotio)	1,800,000	1,800,000	2,595,868 -	795,868
Livestock Dev. -Fisheries weiwei	500,000	500,000	39,000	461,000
Environment Cherangany			2,732,682	4,267,318
Conservation- Other areas tree seedlinds			1,087,058 -	1,087,058
Conservation- Suam	7,000,000	7,000,000	2,383,181 -	2,383,181
Infrastructure -Purchase of CCTV & ICT Equipt	2,000,000	2,000,000	1,750,789	249,211
Turkwel dam monitoring	4,000,000	4,000,000	1,283,889	2,716,111
Mobilisation project Funds	1,000,000	1,000,000	3,973,634 -	2,973,634
Mango processing plant	37,000,000	37,000,000	5,859,137	31,140,863
HQS EXPENSES	9,500,000	9,500,000	10,035,003 -	535,003
Corporate Communication	5,100,000	5,100,000	3,521,007	1,578,993
Competency (Trainning)	1,000,000	1,000,000	1,710,624 -	710,624
Sub-Total	143,740,588	143,740,588	88,104,343	55,636,245

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS - CONT

Region offices- Kerio Region Office	1,000,000		1,000,000	1,760,076 -	760,076
Region offices- Lake Baringo Region Office	1,000,000		1,000,000	809,728	190,272
Region offices- Lake Turkana Region Office	1,500,000		1,500,000	3,089,267 -	1,589,267
Region offices- Samburu Region Office	1,800,000		1,800,000	3,018,581 -	1,218,581
Region offices- Turkwel Region Office	1,000,000		1,000,000	1,108,121 -	108,121
County Cordination	300,000		300,000	323,000 -	23,000
Planning, research & promotion	20,900,000		20,900,000	11,264,420	9,635,580
PC Target- Employee Satisfaction	2,450,000		2,450,000	1,352,500	1,097,500
Safty Measures	100,000		100,000	12,100	87,900
PC Target- Disability	100,000		100,000	46,500	53,500
PC Target- Gender mainstreaming	100,000		100,000	55,600	44,400
Mineral- Engineering mineral & water resources	500,000		500,000	314,987	185,013
Weiwei phase 111	26,066,000		26,066,000	4,009,430	22,056,570
KVDA PLAZA	1,000,000		1,000,000	919,663	80,337
Pasture Seed Production	3,105,000		3,105,000	4,349,827 -	1,244,827
Project Suport (Transport)	11,300,000		11,300,000	14,672,282 -	3,372,282
Marich Irrigation Project	34,331,000		34,331,000	32,025,477	2,305,523
Irrigation Infrustructure	84,500		84,500	83,301,100 -	83,216,600
Sub-Total	106,636,500	-	106,636,500	162,432,659 -	55,796,159
Total Expenditure	514,737,088	-	514,737,088	482,538,687	32,198,401

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

- a) The Authority is undertaking projects on behalf of the government which are on-going and the amount kshs 171,833,466 was brought forward from previous year to the year under review.
- b) The Authority received and generated revenue to a tune of **Kshs 186,390,825 during the year under review.**
- c) Personnel costs were projected to go up due to harmonization of salaries and recruitment of management trainees. However this did not take of as planned because of financial constraints. The budget was **Kshs. 253,356,678** and actual amount Kshs 217,845,642 giving a variation of **Kshs.35,511,036**
- d) Board expenditure balance of **Kshs 3937585** is due to planned governance seminars and workshops that never took off because financial constraints that the Authority had.
- e) The Authority anticipated to out source some of the Utilities services in other K.V.D.A stations however this could not take off due to financial constraints. Thus the balance of **Kshs 6,196479.**
- f) The Authority anticipated much expenditure on hospitality given the fact that there are many projects the Athority is anticipating to undertake. Examples are reconstruction of Arror multi- project, KVDA southern wing and Nairobi Sun Rise, among others.
- g) The following anticipated expenses were not actualised due to lack of funds. Payment of bad debts, Hire of Land, and payment of pending bills each of Kshs 2 million respectively.
- h). The Authority received funds of **Kshs 52 million from the Italian government** for Marich Pass in the financial year ending 30th June 2015. The expenditure on this projec t is on going.
- i) In the financial year 2014/2015, the Authority received from the Government kshs 199,845,916 for construction of water pans.

KERIO VALLEY DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

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

The Authority adopted International Public Sector Accounting Standards (IPSAS) following the Gazettement of the Public Sector Accounting Standard Board (PSASB) that was established by the Public Financial Management ACT no. 18 of July 2014. 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.

These statements are prepared on historical cost. The cash flow statement is prepared using direct method and 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 when it is probable that future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

ii). Revenue from exchange transactions-IPSAS 9

Sale of goods (Honey, Livestock, Seedlings, & Bee Hives)

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

iv) Donation

The Authority treats donations as revenue from non-exchange transaction in (i) above.

3) Restricted/Conditional Funds

The Authority recognises Restricted 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) Payments for all restricted funds are paid for upon receipt of certified certificate of works completed and as per contracts awarded

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.

KERIO VALLEY DEVELOPMENT AUTHORITY

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 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) Recognition and Measurement of biological assets IPSAS 27

The Authority recognizes a biological asset when and only when:

- (a) The entity controls the asset as a result of past events;
- (b) It is probable that future economic benefits or service potential associated with the asset will flow to it,
- (c) The fair value or cost of the asset can be measured reliably.

7) Inventories – IPSAS 12

Inventory is measured at cost upon initial recognition. To the extent that inventory was received in 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.

8) 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 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 provision is recognized as a separate asset only when the reimbursement is virtually certain. The expense related to any provision is presented in the statement of financial performance net of any reimbursement.

9) 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

10) Government Grants.

The Authority during the year received a total of **Kshs. 238,110,986** grants for core activities made up as follows:

Description	2015-2016	2014-2015
		Kshs.
Recurrent	102,141,586	112,906,896
Development	134,655,000	277,000,000
Marich Irrigation Project	-	52,000,000
Donations(ENSDA, LBDA, Ewaso Ngiro,North)	1,314,400	-
	238,110,986	441,906,896

Note; The Authority was to received **Kshs 337,395,882 million** from GoK but Kshs 238, 110,986 million was received resulting to a short fall of **Kshs 99,284,896 million**

11) Gain on Disposal

The Authority disposed Motor vehicles (list attache during the financial year 2015/2016. this resulted to a gain of kshs. 379,181

12) Restricted funds

Payee	Station	Amount (Kshs)
Economic Stimulus Program		
Loyapat	29,680,621	25,740,761
Ptokou Sangat	8,072,886	132,380
Etyo	2,854,327	244,823
Tot	-	2,271,960
Arror -Farm (ESP CHEPKUM)	-	3,040,399
Napuu & Lomut	-	5,652,602
Sub-total	40,607,834	37,082,925
Water harvesting		
Samburu county	162,500	35,968,650
Elgeiyo county	4,752,350	58,550,678
Uasingishu county	17,948,204	47,036,754
Hq cordination costs	3,330,563	2,795,039
W. Pokot county	724,244	79,061,506
Transzoia county	4,875,400	4,363,328
Baringo county	12,432,792	65,399,078
Turkana county	11,929,956	37,047,010
Sub-total	56,156,009	330,222,043
Grand total	96,763,843	367,304,968

Note: - The Authority has been implementing major ESP works at Arror Tot & Ptokou/Sangat Irrigation Schemes. These works have since been completed.

KERIO VALLEY DEVELOPMENT AUTHORITY

13. Appropriation In Aid

(a) Other Income	2015-2016	2014-2015
Description	Kshs.	Kshs.
Beekeeping	18,168,510	12,919,798
Sale of Farm Produce	6,795,574	4,889,327
Hire of Plant Equipment	18,600	520,550
Sale of Boarded Stores	735,065	683,280
Miscellaneous/interest	23,419,311	35,690,932
Sale of Tenders	-	309,966
Sale of Tree Seedlings	2,171,065	2,731,161
Pasture seed & Livestock	6,683,400	365,710
Sale Mango Seedling	2,760,260	9,563,722
Total	60,751,785	67,674,446
	Kshs.	Kshs.
(b) Rent	80,639,040	69,210,157
(c) Kenya Electricity Generating Co. Ltd	45,000,000	45,000,000
Grand Total AIA =(a) + (b) + (c)	186,390,825	181,884,603

14) Employee Costs (Personnel Emoluments)

Employee cost	2015-2016	2014-2015
Description	Kshs.	Kshs.
Personal Emoluments	98,486,494	100,700,178
House Allowance	36,089,830	43,531,123
Acting Allowance	450,098	440,164
Hardship Allowance	4,485,200	4,508,600
Medical Allowance	24,841,688	27,012,701
Special Duty Allowance	258,271	260,483
Extraneous Allowance	1,007,298	1,016,256
Leave & Passage	3,418,000	3,429,060
Commuter Allowance	22,567,000	24,256,000
N.S.S.F Employer's portion	1,198,400	1,272,500
Pension	6,452,705	6,830,918
Gratuity	-	2,323,008
Transfer Allowance	172,718	621,821
Non Practicing Allowance	60,000	60,000
Cottractual Employees	515,313	266,574
Recognition/Incentive & award	-	1,200,000
Disability Help Allowances	360,000	-
Sub-Total	200,363,015	217,729,386

KERIO VALLEY DEVELOPMENT AUTHORITY

15) Administration expenses	2015-2016	2014-2015
Description	Kshs	Kshs
Utilities, Supplies and Services	20,325,573	13,983,521
Communication & Supplies Services	1,845,392	1,611,864
Daily subst/Traveling & Accommodation	2,559,113	2,251,550
Rent & Rates-Residential	2,413,949	930,814
Benevolent Expenses	559,500	342,550
Hospitality	3,495,514	13,314,740
Insurance of Properties	1,015,938	1,333,729
Purchase of Uniforms & Safety	10,385	320,370
Office General Supplies (Stationery)	582,742	213,581
Fuels, oil and lubricants	109,963	460,809
Contracted Professional Services	1,210,000	1,789,795
Routine Maintenance of Assets	544,231	499,618
Purchase of Office Furniture & Fittings	-	234,600
Bank Charges	259,228	1,225,599
V.A. T	7,429,601	8,636,639
Motor Vehicle Repairs	30,654	301,902
Office Machines Repair	29,170	22,000
Sub totals	42,420,953	47,473,681

KERIO VALLEY DEVELOPMENT AUTHORITY

16 Operation Expenses	2015-2016	2014-2015
Description	Kshs.	Kshs.
Honey Processing- Rokocho	9,039,917	14,727,888
Honey Processing-Kabarnet	2,914,988	5,267,430
Marketing	591,213	-
Honey -Samburu	39,000	-
Crops production- Arror Farm (Kamsiwet)	5,449,374	1,999,622
Crops production -weiwei (Soya)	2,159,768	-
Crops production -Arror (chepkum)	2,510,734	1,306,448
Crops production -Kerio Roses	1,842,028	1,670,960
Crops production -Lodwar (Green House)	108,020	1,758,900
Weiwei phase 1 & 11	275,330	7,030,581
Fruits & Tree seedlings	530,974	4,787,953
Upper turkwel (suam)	-	3,934,438
Livestock Dev.-Chemeron farm	1,474,296	2,017,505
Livestock Dev. -Chesongoch	484,711	1,875,643
Livestock Dev. -Samburu (Nomotio)	2,595,868	157,243
Livestock Dev. -Fisheries weiwei	39,000	593,812
Environment Cherangany	2,732,682	2,553,584
Conservation- Other areas tree seedlinds	1,087,058	-
Conservation- Suam	2,383,181	-
Business development & Investment		
Promotion	-	2,363,864
Lifts maintenance	-	2,798,567
Infrastructure -KVDA southern Wing	-	4,667,662
Infrastructure -Purchase of CCTV & ICT Equip	1,750,789	5,498,979
Heavy Machinery	-	961,751
Assets Maintainance	-	891,305
Turkwel dam monitoring	1,283,889	2,055,815
Mobilisation project Funds	3,973,634	4,446,049
Mango processing plant	5,859,137	222,500
HQs Expenses	10,035,003	-
Corperate Communication	3,521,007	3,246,099
Competency (Training)	1,710,624	1,925,678
Region offices- Kerio Region Office	1,760,076	1,717,708
Region offices- Lake Baringo Region Office	809,728	1,280,274
Region offices- Lake Turkana Region Office	3,089,267	3,019,146
Region offices- Samburu Region Office	3,018,581	2,607,668
Region offices- Turkwel Region Office	1,108,121	1,109,391
County Cordination	323,000	-
Planning, research & promotion	11,264,420	10,632,179
PC Target- Service delivery	-	3,600

KERIO VALLEY DEVELOPMENT AUTHORITY

PC Target- Prevation of HIV	-	8,150
PC Target- Employee Satisfaction	1,352,500	50,943
Safty Measures	12,100	-
PC Target- Drug & substance Abuse	-	87,465
PC Target- Disability	46,500	36,900
PC Target- Gender mainstreaming	55,600	62,380
Mineral- Engineering mineral & water resources	314,987	749,728
Weiwei phase 111	4,009,430	10,272,747
KVDA Plaza	919,663	-
Pasture Seed Production	4,349,827	-
Project Suport (Transport)	14,672,282	14,472,129
Marich Irrigation Project	32,025,477	18,403,289
Irrigation Infrustrature	83,301,100	1,015,110
Totals	226,824,915	144,289,083

17 Trade & Other Recievables

(a) Trade Recievables & staff debts

Description	2015-2016 Kshs	2014-2015 KShs.
Staff debts	281,290	550,583
Trade debtors	19,191,734	15,709,963
Sales	13,886,156	6,690,982
Printing Services	-	1,419,601
Salary advances/IOUs	4,459,181	4,504,531
Total	37,818,361	28,875,660

b) Receivables from Exchange Transactions (Pre-payments)

Description	Kshs	KShs.
National Oil Corperation of Kenya	1,000,000	-
Toyota	550,000	-
China Wu Yi Co Ltd	5,734,503	39,455,363
Wambwa Musembi, Chebii & Co. Advocates	879,996	879,996
Total	8,164,499	40,335,359
	45,982,860	

c) Provision for bad debts IPSAS 19

Name (Long Outstanding Debts)	Amount	Amount
Former Managing Director- Immanuel 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	14,055,346	14,055,346
Total	37,969,252	37,969,252
Grand Totals = a+b+c	83,952,112	107,180,271
Less Provisions Bad Debts	37,969,252 -	37,969,252
Net Grand Total a+b-C	45,982,860	69,211,019

KERIO VALLEY DEVELOPMENT AUTHORITY

18 Depreciation:-

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

Computation of depreciation (see note 27)

Depreciation rates

Assets category	Annual %
(i) Buildings- Permanent	2
(ii) Buildings- Semi-permanent	10
(iii) Plant, machines & Farm Equipment	25
(iv) Motor Vehicles	25
(v) Tractors & Dozers	25
(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

19) Board Expenses

The are expenses paid to the board of directors while performing KVDA duties.

They include sitting, Mileage, nighi out allowances and honorarium expenses.

LIABILITIES

20) Trade & Other Payables

Description	2015-2016 Kshs	2014-2015 KShs.
Creditors (Recurrent A/C)	26,753,874	36,296,802
Unremitted salary deductions	16,934,606	20,392,474
Pensions /Insurance Refunds	728,517	529,517
Premises (tenants' prepayment)	4,296,907	1,070,162
Other Creditors(China Wu Yi)	12,088,912	54,347,850
Retention- (Water pans & Others)	33,764,929	35,278,028
Total	94,567,745	147,914,833

21) Audit Fees

	2015-2016 Kshs	2014-2015 KShs.
Note: Audit Fee for the year		
Balance b/f	1,112,000	300,000
Fee for the year	812,000	812,000
Less payment	(812,000)	
Total Balance c/d	1,112,000	1,112,000

KERIO VALLEY DEVELOPMENT AUTHORITY

22) a) Cash & Bank Balances

Cash and cash equivalent comprise cash on hand and cash at Bank. Bank account balances include amount held at various commercial banks at the end of the financial year. For purposes of these financial statement, cash and cash equivalent include interest and advances to KVDA officers. These are various cash and bank Cash Book balances maintained & operated by the Authority namely:-

<u>Account name</u>	<u>2015-2016</u>	<u>2014-2015</u>
Development A/C- KCB-	123,657,263	249,486,059
Development A/C- NBK	539,467	718,800
Recurrent A/C-KCB	8,234,966	91,031
Recurrent A/C-NBK	726,698	443,945
Turkwel Gorge A/C- NBK	127,479	205,092
Turkwel Gorge A/C -KCB	100,833	1,489,049
KIDDP A/C -KCB	10,371,288	37,516,764
KIDDP A/C -NBK	350	1,000,000
KVDA Honey A/C -KCB	10,358,782	1,446,921
Premises A/C- NBK	2,903,774	3,255,131
Premises A/C- KCB	5,847,552	4,338,755
KVDA Farm Produce-KCB	1,129,581	4,650,789
KVDA Machinery-KCB	723,027	521,097
Service Charge- KCB	687,784	65,501
KVDA Depreciation A/C NBK	284,393	284,393
KVDA Depreciation A/C-KCB	33,805 -	3,695
KVDA Kerio Region A/C -KCB	1,588	397,216
KVDA LakeBaringo RegionA/C -KCB	4,145	416,576
KVDA.Turkana Region OfficeA/C -KCB	60,823	840,715
KVDA Sambur Region OfficeA/C -KCB	1,296,216	631,071
KVDA LakeTurkwel Region-KCB	537	74,947
KVDA Sigor A/C-NBK	120,662	405,238
KVDA Service Centre A/C-NBK	3,041,833	1,037,098
	170,252,844	309,312,493
Restricted funds: -		
E.S.P-KCB	33,556,343	88,278,793
E.S.P-NBK	953	150,758
NWH&SP a/c-KCB	69,837,123	81,926,869
NWH&SP a/c-NBK	985	1,477,046
Sub-Total	103,395,404	171,833,466
Total	273,648,248	481,145,958
Restrictede funds liability	103,395,404	
Retention	- 33,764,929	
Liability at as at 30. 6.2016	69,630,475	

Note. The Authority closed all National Bank Accounts. There was need to notify our customers about the of New accounts at KCB before closing.

b) Bad Debts Written Off

There were no bad debts written off in the current financial year.

KERIO VALLEY DEVELOPMENT AUTHORITY

23) Inventory IPSAS 12

Inventory is measured at cost upon initial recognition. The cost of the inventory is its fair value at the date of acquisition. Inventories are recognized as an expenses when deployed for utilization in the ordinary course of operations of the entity.

Category	2015-2016	2014-2015
	KShs	KShs
Processed Honey	17,881,984	4,991,660
Crude and semi processed Honey	13,206,000	12,160,204
Building & Plumbing	4,329,168	6,443,339
Spare Parts	2,849,118	3,326,458
Beehives & Honey Equipments	2,790,260	2,679,267
Tools & Equipments	2,250,092	5,778,996
Packaging Materials	1,431,510	-
Farm inputs	996,520	2,017,985
Stationery	902,129	779,112
Fuel, Oil lubricants	50,002	129,113
miscileneous	44,263	37,301
Agro-Vet (Live Stock)	28,610	-
Electrical	17,474	20,337
General stores	13,375	576,475
Farm produce	-	15,000
Total	46,790,505	38,955,247

24) Biological Assets

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

Description	2015-2016	2014-2015
	Kshs	Kshs
Seedlings	33,489,855	31,920,790
Animal Goats	768,000	470,000
Animal Sahiwal Cattle	4,407,350	2,147,750
Total	38,665,205	34,538,540

25) Interest ON Loan

The Loan Interest resulted from a loan the Authority took from KCB for construction of KVDA Southern Wing. It total led to kshs. 19,895,064 only for the financial year 2015/2016.

26) Capital Reserves

Capital reserves include Land, building, Tractors & Dozers, Plant Machinery, equipment, Motot Vehicles Furniture and Turkwel Gorge.

27) Non-Current Liabilities (LOAN)

The Authority has an agreement with KCB Bank to receive loan up Kshs. 400 million. Within the financial year, there was loan draw down of kshs 146,427,682 being part payment of the construction of KVDA southern wing

1) Negotiation fees	-	2,200,000
2) Advance payment 10% as per contract	-	39,455,363
3) Certificate of payment as at 30/06/2015	-	52,147,850
Balance b/d	93,803,213	-
3) Certificate of payment	146,427,682	-
Total	240,230,895	93,803,213

28) Contingent Items

Included in the exchange transactions is a receivable deposited by the authority to enable it make an appeal in a court case NO. 96 of 2013 of kshs 875,996. This money was deposited as a result of a court order to enable the authority make an appeal. There is a high chance of winning this case.

29) Related Party Disclosure IPSAS 20

The Authority has a related party relationship with Ministry of Devolution Planning and Statistics, The National Treasury, Office of the President and sister regional Authorities which from time to time give circulars on financial and operational issues

NOTES TO FINANCIAL STATEMENTS

KERIO VALLEY DEVELOPMENT AUTHORITY

30) NON -CURRENT ASSETS SCHEDULE FOR THE PERIOD ENDED 30th JUNE 2016

PROPERTY, PLANT & EQUIPMENT IN (KSHS)

	LAND KSHS	SURVEY & DRAWING EQUIPT. KSHS	BUILDINGS SEMI-PERMANENT KSHS	BUILDING PERMANENT KSHS	PLANT MACHINERY & EQUIPMENT	OFFICE MACHINERY & FITTINGS KSHS	MOTOR VEHICLES & LORRIES KSHS	TRACTORS & DOZERS KSHS	OFFICE FURNITURES & FITTINGS KSHS	HOUSE FURNITURE & FITTINGS KSHS	LOOSE TOOLS & EQUIPT. KSHS	TURKWEI GORGE PROJECT	WORK IN PROGRESS	TOTALS KSHS
Cost as at 1/7 2014	87,879,950	6,999,117	9,855,151	950,484,349	16,246,229	19,534,172	76,671,426	37,925,776	5,733,328	1,983,566	2,153,599	7,001,309,300	-	8,216,775,962
LOAN	-	-	-	-	-	-	-	-	-	-	-	-	93,803,214	93,803,214
Additions	-	-	-	1,054,400	-	648,801	-	-	1,481,045	-	363,500	-	-	3,547,746
Cost as at June 2015	87,879,950	6,999,117	9,855,151	951,538,749	16,246,229	20,182,973	76,671,426	37,925,776	7,214,373	1,983,566	2,517,099	7,001,309,300	93,803,214	8,314,126,922
Cost as at July 2015	87,879,950	6,999,117	9,855,151	951,538,749	16,246,229	20,182,973	76,671,426	37,925,776	7,214,373	1,983,566	2,517,099	7,001,309,300	93,803,214	8,314,126,922
Disposal	-	-	-	-	-	-	(4,580,374)	-	-	-	-	-	-	(4,580,374)
Southern Wing	-	-	-	-	-	-	-	-	-	-	-	-	155,909,201	155,909,201
Additions	-	162,584	-	17,990,322	-	-	-	-	-	-	-	-	-	18,152,906
Cost as at 30th June 2016	87,879,950	7,161,701	9,855,151	969,529,071	16,246,229	20,182,973	72,091,052	37,925,776	7,214,373	1,983,566	2,517,099	7,001,309,300	249,712,415	8,483,608,655
Dep. As at 1 July 2014	-	4,746,101	9,060,061	216,697,331	12,025,882	11,328,494	58,765,058	27,719,163	4,161,540	1,672,247	1,766,791	2,231,471,553	-	2,579,414,221
Charge for the year 2014/2015	-	281,627	79,509	14,696,828	1,055,087	1,106,810	4,476,592	2,551,653	381,604	38,915	93,788	95,396,755	-	120,159,169
Dep. As at 30th June 2015	-	5,027,728	9,139,570	231,394,159	13,080,969	12,435,304	63,241,650	30,270,816	4,543,144	1,711,162	1,860,579	2,326,868,307	-	2,699,573,389
Dep. As at 1 July 2015	-	5,027,728	9,139,570	231,394,159	13,080,969	12,435,304	63,241,650	30,270,816	4,543,144	1,711,162	1,860,579	2,326,868,307	-	2,699,573,389
Charge for the year 2015/2016	-	266,747	71,558	14,762,698	791,315	968,459	2,212,351	1,913,740	333,904	34,051	82,065	93,488,820	-	114,925,707
Dep. As at 30th June 2016	-	5,294,475	9,211,128	246,156,857	13,872,284	13,403,762	65,454,001	32,184,556	4,877,047	1,745,212	1,942,644	2,420,357,127	-	2,814,499,096
NBV JUNE 2016	87,879,950	1,867,226	644,023	723,372,213	2,373,945	6,779,211	6,637,051	5,741,220	2,337,325	238,354	574,454	4,580,952,173	249,712,415	5,669,109,559
NBV JUNE 2015	87,879,950	1,971,389	715,581	720,144,589	3,165,260	7,747,669	13,429,776	7,654,960	2,671,229	272,404	656,519	4,674,440,993	93,803,214	5,614,553,533

