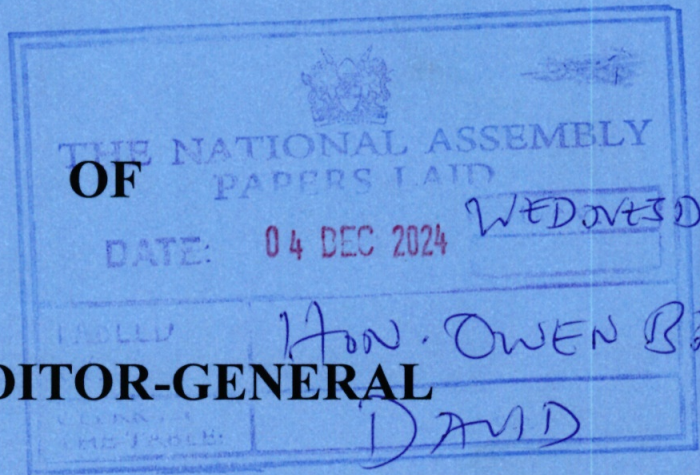
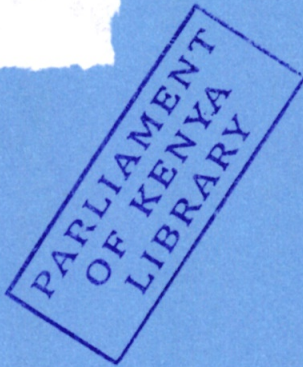


REPUBLIC OF KENYA



Enhancing Accountability

REPORT



THE AUDITOR-GENERAL

ON

NATIONAL DROUGHT EMERGENCY FUND

**FOR THE YEAR ENDED
30 JUNE, 2024**



NATIONAL DROUGHT EMERGENCY FUND (NDEF)

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2024**

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

National Drought Emergency Fund
Annual Report and Financial Statements for the year ended June 30, 2024

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1. Acronyms and definition of Key terms

A: Acronyms

Ag.	Acting
ALDEF	Arid Lands Development Focus
ASAL	Arid and Semi-Arid Lands
BA	Bachelor of Arts
BSC	Bachelor of Science
CCA	Climate Change Adaptation
CDFSC	County Drought and Food Security Committee
CEO	Chief Executive Officer
Col	Colonel
CPA	Certified Public Accountant
CSR	Corporate Social Responsibility
DRM	Drought Risk Movement
DRMC	Drought Risk Management and Coordination
EAC	East Africa Community
EDE	Ending Drought Emergencies
EWS	Early Warning system
FY	Financial Year
HR	Human Resource
HQ	Head Quarter
ICPAK	Institute of Certified Public Accountants -Kenya
IPSAS	International Public Sector Accounting Standards
KICC	Kenyatta International Convention Center
MA	Master of Arts
MAM	March, April, May
MBA	Master of Business Administration
MCIPS	Member of the Chartered Institute of Procurement and Supply
MDAs	Ministries Departments and Agencies
MIS	Management Information System
MKU	Mount Kenya University
MSC	Master of Science
NDEF	National Drought Emergency Fund
NDMA	National Drought Management Authority
NEMA	National Environment Management Authority
NT	National Treasury
OAG	Office of the Auditor General
OND	October, November, December
OSHA	Occupational Safety and Health
PFM	Public Finance Management
PhD	Doctor of Philosophy
PPE	Property Plant & Equipment
PS	Principal Secretary
PSASB	Public Sector Accounting Standards Board
Rtd.	Retired
SAGA	Semi-Autonomous Government Agency

National Drought Emergency Fund

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SC
SO

State Corporations
Strategic Objective

B: Definition of Key Terms

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

2. Key Fund Information and Management

(a) Background information

The National Drought Emergency Fund (NDEF) was established under the Public Finance Management (National Drought Emergency Fund) Regulations, 2021. The Fund was established as a financing vehicle for drought risk management in Kenya and was envisaged to attract a seed capital of Kshs. 2 billion from the National Treasury. The Fund is managed by the management of the National Drought Management Authority (NDMA), as a measure to minimize operational overheads. The NDMA Board of Directors doubles up as the Fund Board, while NDMA staff support implementation of the Fund activities.

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

(b) Principal Activities

Core Functions

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

Mandate, Vision and Mission

The National Drought Emergency Fund has no Strategic Plan. The funds objectives and purpose are implemented within the institutional frameworks of the National Drought Management Authority and the Public Finance Management (National Drought Emergency Fund) Regulations, 2021.

Objectives of NDEF

The Fund objectives are as follows;

- (a) Improve the effectiveness and efficiency of the drought risk management system in the country;
- (b) Facilitate resilience building, preparedness and timely response to drought during its different stages in order to reduce and minimise the negative effects of droughts;

(c) To receive financial resources from development partners who support government on drought risk management interventions;

(d) Provide for —

i. A common basket emergency fund in order to facilitate faster, transparent, predictable and accountable release of Funds for drought risk management;

ii. Funds for capacity and technical expertise development to improve on drought risk management systems; and

iii. The establishment, management and coordination of programmes, projects or activities to further the foregoing objects and purposes.

NDEF Financial Provisions

The Fund allocates its resource as follows;

I. Resilience & preparedness ($\leq 50\%$)

II. Response ($\leq 40\%$)

III. Recovery ($\leq 5\%$): monies for recovery may be reallocated to either resilience or response interventions.

IV. Administration ($\leq 3\%$)

V. Other ($\leq 2\%$)

(c) Key Management of the Fund

The Fund's day-to-day management is under the following key organs:

No.	Designation	Name
1.	Fund Administrator	Hared Hassan Lt. Col (Rtd)
2.	Head of Finance	CPA Yussuf Roba Bagaja
3.	Head of Procurement	MCIPS Hussein Adan Bilala

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2024 and who had direct fiduciary responsibility were:

No	Designation	Name
1	Fund Administrator	Hared Hassan Lt. Col (Rtd)
2	Director Corporate Services	Mr. Hashim Adan Ali
3	Ag. Director Technical Services	Mr. Saiyana Lembara
4	Director Planning, Monitoring and Evaluation	Ms. Stella Kiptoo
5	Deputy Director Finance & Accounts	Mr. Yussuf Roba Bagaja
6	Deputy Director Supply chain	Mr. Hussein Adan Bilala
7	Deputy Director Human resource & Admin	Mr. Patrick Musichi

(e) Fiduciary Oversight Arrangements

Audit and Risk Committee

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

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

- Advise the Fund Administrator and the Board on financial management approaches that enhance internal controls to improve efficiency, transparency and accountability;
- Review major audit issues raised by both internal and external auditors;
- Periodic reviews of the adequacy of management procedures with regard to issues relating to risk management, control and governance; and
- Review special audits/investigations on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency brought to the committee's attention by management and present to the Board for discussion and direction.

Finance & Human Resource committee

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

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

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

- Ensure that the allocation of resources is aligned to the priority areas identified within the Strategic Plan.
- Review quarterly financial reports submitted by management and submit the same to the Board for discussion and adoption.
- Provide general direction in the Fund's budgeting matters.
- Advise the Fund Administrator and the Board on financial management approaches that enhance internal controls to improve efficiency, transparency, and accountability.
- Review major audit issues raised by both internal and external auditors.
- Periodic review of the adequacy of management procedures with regard to risk management control and governance issues.
- Review special audits/investigations on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency brought to the committee's attention by management and present to the Board for discussion and direction.

(f) Fund Headquarters

National Drought Management Authority
P.O. Box 53547, 00200
Lonrho House
Standard Street
Nairobi, Kenya

(g) Fund Contacts

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

(h) Fund Bankers

Cooperative Bank
Kenyatta Avenue Branch
P.O Box 44805 - 00200
Nairobi, Kenya

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

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

(i) Independent Auditor

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

(j) Principal Legal Adviser

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




3. Board of Directors


Ref	Directors	Details
1.	 <p>Mr. Shallow Abdullahi Yahya</p>	<p>Chairperson to the Board Appointed on 15th December 2023 Born on 1st January 1976</p> <p><u>Education Qualification</u> Bachelor’s Degree in Business Administration (Finance Option)</p> <p><u>Work Experience</u> Mr. Shallow Abdullahi Yahya has previously served as:</p> <ul style="list-style-type: none"> • Board Member of Kenya Bureau of Standards; • Board Member National Standards Council; • Chief Executive Officer of Qaana Contractors Limited; • Senior Management Consultant at Afrisurge Research & Consultant Firm; • Finance Manager at Aldef Kenya; and • Audit Task Manager for European Union, Kenya Office
2.	 <p>Ms. Eunice Kigen</p>	<p>Alternate for The National Treasury Cabinet Secretary Appointed on 3rd July 2023</p>

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Ref	Directors	Details
3.	 <p>Ms. Maria Cheron</p>	<p>Alternate for The Principal Secretary State Department for the ASALs & Regional Development.</p> <p>Appointed on 31st October 2023</p>
4.	 <p>Mr. Gilbert Tenai Bor</p>	<p>Independent Member</p> <p>Appointed on 9th June, 2023</p> <p>Born on 30th May, 1979</p> <p><u>Education Qualification</u></p> <p>MBA (Corporate Management)</p> <p>Bachelor of Commerce</p> <p>Diploma in Public Administration</p> <p>Diploma in Sales and Marketing</p>
5.	 <p>Robert Kiteme</p>	<p>Board Member - representing the Council of Governors</p> <p>Appointed on 31st July 2017</p> <p>Chairperson - Audit & Risk Management Committee</p> <p>Born on 1988</p> <p><u>Education Qualification</u></p> <p>BSc. in Agriculture (Agricultural Economics Major)</p> <p>6 years Council of Governors employee</p>

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Ref	Directors	Details
6.	 <p data-bbox="220 685 533 719">Dr. Mary Lonyangapuo</p>	<p data-bbox="735 311 1070 344">Independent Member</p> <p data-bbox="735 367 1114 400">Appointed on 3rd June 2022</p> <p data-bbox="735 423 919 456">Born on 1968</p> <p data-bbox="735 535 1098 568"><u>Education Qualification</u></p> <p data-bbox="735 591 1358 680">PHD Department of literature, Linguistics and languages</p> <p data-bbox="735 703 999 736">Master's Linguistics</p> <p data-bbox="735 759 1070 792">Senior Lecturer 12 years</p>
7.	 <p data-bbox="220 1211 488 1245">Ms. Leah J. Sambai</p>	<p data-bbox="735 815 1070 848">Independent Member</p> <p data-bbox="735 871 1214 904">Appointed on 24th November, 2023</p> <p data-bbox="735 927 1062 960">Born on 26th June, 1961</p> <p data-bbox="735 987 1098 1021"><u>Education Qualification</u></p> <p data-bbox="735 1043 1046 1077">Bachelors in Education</p>
8.	 <p data-bbox="220 1610 469 1644">Mr. Koome Kiragu</p>	<p data-bbox="735 1270 1070 1303">Independent Member</p> <p data-bbox="735 1326 1126 1359">Appointed on 3rd June, 2022</p> <p data-bbox="735 1382 1142 1415">Born on 24th November, 1955</p> <p data-bbox="735 1442 1098 1476"><u>Education Qualification</u></p> <p data-bbox="735 1498 1182 1532">Bachelor of Science (Agriculture)</p>

Ref	Directors	Details
9.	 <p>Hared Hassan Lt. Col (Rtd)</p>	<p>Fund Administrator and Secretary to the Board</p> <p>Appointed on February 14 2022</p> <p>Born on January 1966</p> <p>Education Qualifications</p> <ul style="list-style-type: none">• Masters' Degree in Strategic Security Studies• Masters' Degree in International Conflict Management• Masters' Degree in Military Arts and Science• Bachelor of Arts Degree in Political Science

4. Key Fund Management Team




Ref	Management	Details
1.	 <p>Hared Hassan Lt. Col (Rtd)</p>	<p>Fund Administrator and Secretary to the Board Appointed on February 14 2022</p> <p><u>Education Qualification</u></p> <ul style="list-style-type: none"> • Masters’ Degree in Strategic Security Studies • Masters’ Degree in International Conflict Management • Masters’ Degree in Military Arts and Science • Bachelor of Arts Degree in Political Science
2.	 <p>Mr. Hashim Ali</p>	<p>Director, Corporate Services</p> <p><u>Education Qualification</u></p> <ul style="list-style-type: none"> • MBA, Strategic Management • Certified Public Accountant • Certified Internal Auditor • Certified Information Systems Auditor (CISA) • Certified Data Privacy Solution Engineer
3.	 <p>Mr. Saiyana Lembara</p>	<p>Ag, Director, Technical Services</p> <p><u>Education Qualification</u></p> <ul style="list-style-type: none"> • M.A. Environmental Planning and Management • BSc Agriculture • Certificate Forestry

Ref	Management	Details
4.	 <p data-bbox="336 775 568 808">Ms. Stella Kiptoo</p>	<p data-bbox="683 331 1358 365">Director, Planning Monitoring & Evaluation</p> <p data-bbox="683 443 1050 477"><u>Education Qualification</u></p> <ul data-bbox="730 499 1257 645" style="list-style-type: none"> • Bachelor of Arts and social Science • Master of Business Administration • Master of Arts in Economics
5.	 <p data-bbox="376 1223 624 1256">Mr. Yussuf Bagaja</p>	<p data-bbox="683 835 1294 869">Deputy Director, Finance and Accounts</p> <p data-bbox="683 947 1050 981"><u>Education Qualification</u></p> <ul data-bbox="730 1003 1289 1149" style="list-style-type: none"> • MBA Finance Option • Bachelor of Commerce • Certified Public Accountant (CPA (K))
6.	 <p data-bbox="352 1648 584 1682">Mr. Paul Obunde</p>	<p data-bbox="683 1261 1342 1328">Deputy Director, Planning, Monitoring and Evaluation</p> <p data-bbox="683 1373 1050 1406"><u>Education Qualification</u></p> <ul data-bbox="730 1429 1465 1608" style="list-style-type: none"> • MSc Environmental Economics & Environmental Management • Post Graduate Diploma Environmental Economics & Environmental Management • BA Economics


**National Drought Emergency Fund
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Ref	Management	Details
7.	 <p data-bbox="268 712 517 745">Mr. Hussein Bilala</p>	<p data-bbox="628 329 1098 362">Deputy Director, Supply Chain</p> <p data-bbox="628 443 991 477"><u>Education Qualification</u></p> <ul data-bbox="676 499 1114 645" style="list-style-type: none"> • MSc Supply Chain & Logistics • BSc Business Administration • Advanced Diploma – CIPS
8.	 <p data-bbox="317 1153 544 1187">Mr. Martin Kiveu</p>	<p data-bbox="628 770 1115 804">Deputy Director, Internal Audit</p> <p data-bbox="628 884 991 918"><u>Education Qualification</u></p> <ul data-bbox="676 940 1302 1025" style="list-style-type: none"> • BSc. International Business Administration • Certified Public Accountant MNo.4221
9.	 <p data-bbox="309 1626 572 1659">Eng. Hussein Jirma</p>	<p data-bbox="628 1211 1192 1245">Deputy Director, Drought Resilience</p> <p data-bbox="628 1326 991 1359"><u>Education Qualification</u></p> <ul data-bbox="676 1382 1335 1467" style="list-style-type: none"> • MSc. Water and Environmental Management • BSc. Civil Engineering

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Ref	Management	Details
10.	 <p data-bbox="325 696 632 730">Mr. George Kimunguyi</p>	<p data-bbox="683 331 1002 365">Deputy Director, ICT</p> <p data-bbox="683 443 1043 477"><u>Education Qualification</u></p> <ul data-bbox="730 499 1382 701" style="list-style-type: none"> • MSc Information Technology • BSc Applied Statistics Cisco Certified • Certified Information Systems Auditor(CISA) • Certified Data Privacy Solution Engineer
11.	 <p data-bbox="331 1099 590 1133">Mr. Patrick Musichi</p>	<p data-bbox="683 752 1452 824">Deputy Director, Human Resource & Administration</p> <p data-bbox="683 887 1043 920"><u>Education Qualification</u></p> <ul data-bbox="730 943 1260 1032" style="list-style-type: none"> • Bachelor of Arts, Sociology • Higher Diploma in Human Resource
12.	 <p data-bbox="300 1585 587 1619">Amos Omar Nyakeyo</p>	<p data-bbox="683 1142 1327 1214">Ag, Deputy Director Drought Contingency Planning and response</p> <p data-bbox="683 1272 1043 1305"><u>Education Qualification</u></p> <ul data-bbox="730 1328 1216 1529" style="list-style-type: none"> • MSc. Horticulture • BSc. Horticulture • Diploma in Horticulture • Certificate in General Agriculture

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Ref	Management	Details
13.	 Nelson Mutanda	Ag. Deputy Director Information <u>Education Qualification</u> <ul style="list-style-type: none">• Masters in Development Studies (MKU)• BSc. Computing (UNISA)• Bachelors in Economics and Statistics

5. Chairman's Statement



Mr. Shallow Abdullahi Yahya

On behalf of the Fund Board, which oversees the National Drought Emergency Fund (NDEF), it is my pleasure to present the Annual Report and Financial Statements for 2023/2024 financial year. The reporting period marked the start of a period of recovery from the 2021 – 2023 drought episode that was viewed as the worst in over four decades. The year was characterized by positive effects of the good rains of MAM 2023 season and enhanced OND 2023 season occasioned by the El Nino phenomenon, and also the effects of enhanced precipitation during MAM 2024 season. Recovery progress from the devastating preceding drought episode was however severely undermined for communities in the flood-prone lowland communities that suffered extensive flooding which destroyed shelter and some livelihood assets that survived the drought. While the drought at its peak had the number of people facing acute food insecurity and requiring food assistance reach a high of 4.9 million, the subsequent flooding and landslides during OND 2023 El Nino season impacted 545,595 persons with 175 deaths, and a further 412,263 persons were affected during MAM 2024 enhanced

rains. Conservative estimates of livestock losses during El Nino amounted to Kshs. 69.8 million, while estimates of overall losses resulting from MAM 2024 impacts exceeded Kshs. 5 billion. All these point to the huge magnitude of climate vulnerability for drought-prone communities, underscoring the need for contextualized multi-hazard approach to drought risk management planning.

During the current financial year (2023/24) there was no requirement for the use of NDEF funds for drought response and recovery activities due to sustained wet conditions. However, proposed drought preparedness/resilience projects to be funded under NDEF were processed according to the Fund Regulations, culminating in the approval five (5) projects for funding namely: The development of Sarman livelihoods diversification project in Sarman Ward in Wajir County; Development of Uyi Earth Dam in Masongaleni Ward in Makueni County; Development of rising main pipeline extension for Birkan borehole in Mandera; Promotion of camels as drought adaptive livestock species in West Pokot; and Kokwokochii/Nyangaita water pipeline rehabilitation in Lomut Ward, also in West Pokot. The total cost of the 5 projects was Kshs. 132,154,680 with NDEF committing Kshs. 88,446,340 whilst communities and other partners committed to contributing Kshs. 43,708,340.

The Fund continues to grapple with minimal funding from the exchequer. In the FY 2022/2023 and 2023/24 disbursements to the fund have been Kshs. 463.3 million and Kshs. 20 million respectively. The allocation to fund administration expenses is 2% which is too low and limits the necessary coordination activities, especially at county level as the 2% fraction becomes inadequate to support the gazetted 23 county drought and food security committees active in the ASAL counties. The

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limited fiscal space also minimizes the number of investments in the urgently required preparedness and resilience activities to enhance coping capacities against drought. It is also difficult to maintain adequate dedicated human resource to support the Fund activities. However, there is willingness within vulnerable communities and among development partners, to co-finance with NDEF, the priority drought risk management investments.

The Authority will during the FY 2024/2025 fund the implementation of the approved drought resilience/preparedness projects under NDEF, while also processing new ones to be approved for funding in the FY 2025/2026.



.....
Mr. Shallow Abdullahi Yahya
Chairperson to the Board

In addition, the Authority will give priority to resource mobilization for NDEF and explore innovations in service delivery, including digitization and enhanced partnerships.

The Authority will also take advantage of the coordination structures and the Ending Drought Emergencies initiative to rally state and non-state actors towards accelerated achievement of Kenya's drought resilience goal.

hazard approach to drought risk management.

6. Report of the Fund Administrator



Hared Hassan Lt. Col (Rtd)

Following the good rainfall outcomes during the preceding MAM 2023 season and the enhanced precipitation during both OND 2023 and MAM 2024 seasons, the country was not in drought. During the reporting period, recovery progress from the effects of the devastating 2021–2023 drought episode was sustained, although this was severely undermined by the negative impacts of the enhanced OND 2023 rains attributed to El Nino, and also the enhanced precipitation during MAM 2024 season, both of which resulted in flooding and landslides/mudslides, affecting some communities across the ASALs. Flooding and landslides/mudflows destroyed shelter and some of the livelihood assets that survived the drought. While the drought at its peak had the number of people facing acute food insecurity and requiring food assistance reach a high of 4.9 million, the subsequent flooding and landslides during OND 2023 El Nino season impacted 545,595 persons with 175 deaths, and a further 412,263 persons were affected during MAM 2024 enhanced rains. Conservative estimates of livestock losses during El Nino amounted to Kshs. 69.8 million, and the overall losses resulting from MAM 2024 impacts were estimated as Kshs. 5.2 billion. This narrative presents the multi-hazard climate vulnerabilities that beset drought-prone communities, necessitating a multi-

There was no need for drought response as the country remained in **NORMAL** drought phase due to sustained wet conditions during the reporting period. This favoured a shift of focus to drought preparedness and resilience whereby five (5) drought preparedness/resilience projects were approved for funding. These were:

- The development of Sarman livelihoods diversification project in Sarman Ward in Wajir County, to cost Kshs. 24,738,000 (NDEF contribution is Kshs. 17,316,600);
- The development of Uyi Earth Dam in Masongaleni Ward in Makueni County, to cost Kshs. 40,000,000 (NDEF contribution is Kshs. 30,000,000);
- The development of rising main pipeline extension for Birkan borehole in Mandera County, to cost Kshs. 30,000,000 (NDEF contribution is Kshs. 16,421,400);
- The promotion of camels as drought adaptive livestock species in West Pokot County, to cost Kshs. 30,000,000 (NDEF contribution is Kshs. 21,000,000); and
- Kokwokochii/Nyangaita water pipeline rehabilitation in Lomut Ward, in West Pokot County to cost Kshs. 7,416,680 (NDEF contribution is Kshs. 3,708,340).

The five (5) projects will cost Kshs. 132,154,680 with NDEF contributing Kshs. 88,446,340 while beneficiary communities and other partners will contribute Kshs. 43,708,340.

The greatest challenge to NDEF activities has been poor liquidity due to low funding from the exchequer. From the FY 2022/2023 to 2023/2024, the Fund has

National Drought Emergency Fund

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received Kshs. 483.3 million, which pales in comparison with the prescribed initial capitalization of Kshs. 2 billion. Considering the partition into the Fund components: 50% for Preparedness and Resilience; 40% for Drought Response (25% of which is for scalable cash transfers); 5% for drought recovery; and 3% for administrative costs (2% for counties, and 1% for HQ), there has been a liquidity challenge affecting all the components.

Development partners are yet to make any resource contribution into the Fund. This affects Fund operations, especially coordination at county level as the available 2% fraction is inadequate to support the gazetted county drought and food security committees active in the 23 ASAL counties. The low funding has also limited the number of priority preparedness and resilience investments, and the drought recovery activities that can be effectively supported. However, the perceived willingness within vulnerable communities and among development partners, to co-finance priority

drought risk management investments with NDEF calls for innovative engagements to attract their contributions.

During the FY 2024/2025, the Authority will fund the implementation of the approved drought resilience/preparedness projects proposed during the current reporting period, while also processing new ones to be approved for funding during the FY 2025/2026. In addition, the Authority will give priority to resource mobilization for NDEF and explore innovations in service delivery, including digitization and enhanced partnerships. The Authority will also rally state and non-state actors towards accelerated achievement of Kenya's drought resilience goal by harnessing the coordination structures of the Ending Drought Emergencies initiative.

.....
Hared Hassan Lt. Col (Rtd)
Fund Administrator

7. Statement of Performance against Predetermined Objectives for FY 2023/2024

NDEF resources were used towards realization of the following NDMA strategic objectives within the current Strategic Plan for 2023 to 2027:

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

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

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

NDMA mainstreams NDEF funds into its annual work plan based on the above three (3) strategic objectives, according to available liquidity. This then becomes part of the Assessment of the Board’s performance done on a quarterly basis. During the reporting period, activities under NDEF focussed on NDMA Strategic Objective No. 1 (SO1): To strengthen institutional and community resilience to drought risk and climate change. This mainly involved the processing of preparedness/resilience projects proposed for implementation with NDEF funding.

On the other hand, no activities under SO3 (To protect livelihoods of vulnerable households and community systems to cope and recover from drought shocks) were implemented as the country remained out of drought episode.

Due to budget limitations, no activities under SO4 (To ensure coordinated action on drought risk management by government and other stakeholders) were supported under NDEF. The table below presents the NDEF achievements during the reporting period;

Strategic Objective	Strategy	Key Performance Indicators	Activities	Achievements
SO1: To strengthen institutional and community resilience to drought risk and climate change.	Identify, process approve for NDEF funding, and publish on NDMA’s website, drought preparedness and resilience projects.	Number of drought preparedness and resilience projects identified, processed, approved for NDEF funding, and published	Identification, processing, approval for NDEF funding and publication on NDMA website, the prioritized drought	Project for development of Sarman livelihoods diversification project in Sarman Ward in Wajir County was identified, processed, approved for NDEF funding, and published on NDMA’s website.
				Project for development of Uyi Earth Dam in Masongaleni

National Drought Emergency Fund

Annual Report and Financial Statements for the year ended June 30, 2024

Strategic Objective	Strategy	Key Performance Indicators	Activities	Achievements
		on NDMA website	preparedness and resilience projects	<p>Ward, in Makueni was identified, processed, approved for NDEF funding, and published on NDMA's website.</p> <p>Project for the development of rising main pipeline extension for Birkan borehole in Mandera County, was identified, processed, approved for NDEF funding, and published on NDMA's website.</p> <p>Project for the promotion of camels as drought adaptive livestock species in West Pokot County was identified, processed, approved for NDEF funding, and published on NDMA's website.</p> <p>Project for rehabilitation of Lomut-Kokwokochii/Nyangaita water pipeline in Lomut Ward, West Pokot County was identified, processed, approved for NDEF funding, and published on NDMA's website.</p>

8.

8. Corporate Governance Statement

The Fund's corporate governance is guided by the provisions of the PFM (National Drought Emergency Fund) Regulations, 2021. The annual report covers the following governance aspects in line with the Authority's mandate;

Role of the Board of Directors

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

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

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

Board Committees

The Fund has three Board committees namely;

- 1) Technical and Strategy
- 2) Finance and Human Resources
- 3) Audit and Risk Management

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

Committee membership

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

1) Technical and Strategy committee

- i. Mr. Koome Kiragu – Chairperson
- ii. Ms. Leah Sambai – Member
- iii. Mr. Robert Kiteme – Member
- iv. Mr. Gibert Tenai – Member
- v. Dr. Mary Lonyangapuo - Member

2) Finance and Human Resource Committee

- i. Mr. Gibert Tenai – Chairperson
- ii. Mr. Koome Kiragu – Member
- iii. Ms. Eunice Kigen - Member
- iv. Ms. Maria Cheron – Member

3) Audit and Risk Management

- i. Dr. Mary Lonyangapuo - Chairperson
- ii. Mr. Robert Kiteme - Member
- iii. Ms. Leah Sambai – Member
- iv. Ms. Eunice Kigen – Member
- v. Ms. Maria Cheron – Member

Technical & Strategy Committee

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

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

Finance & Human Resource Committee

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

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

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

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

- a) Periodic review and advice to the main Board on appropriate human resource strategies, policies and procedures;
- b) Advise the Board and guide the process on staff recruitment, manpower planning and related budgets;
- c) Advise the Board on any reviews required to enhance the effectiveness of manpower development and staff training;
- d) Advise the Board on reviews which may be necessary to make the organizational structure, appraisal system, grading system, and salary structures more relevant and effective; and
- e) Review proposals and advice the Board on staff benefit schemes including medical, retirement benefits, and insurance schemes, among others.

Audit and Risk Management Committee

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

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

Board Meetings

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

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

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

Board Communication with Stakeholders

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

Board internal communication is as follows;

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

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

9. Management Discussion and Analysis

The Fund continued to suffer low funding from the National Treasury (TNT) resulting in operational and administrative challenges. While the PFM (NDEF) Regulations, 2021 sets a seed capital of Kshs. 2 billion, the Fund received its first allocation of Kshs.463.3 million in the FY 2022/23. In the FY 2023/24, the funding reduced further to Kshs. 20 million. The total funding from TNT is Kshs. 483.3 million which falls far below the legislated seed capital of Kshs. 2 billion.

From the annual funding thus far the distribution to the different Fund components is as tabulated below:

Component	Proportion (%)	Amount Kshs. (million)
Resilience	50	241.6
Response	40	193.3
Recovery	5	24.2
Administrative costs	3	14.5
Other	2	9.7
Total	100	483.3

Funding for response, recovery and administrative costs was significantly utilized. However, resilience funding was underutilized due to the fact that the prerequisites and procedure for identification and processing of resilience projects prescribed by the Fund Regulations made it difficult to absorb the resilience allocation.

In particular, the transition delays after the 2022 General Elections, across the counties delayed the gazettelement of county drought and food security committees (CDFSCs) which are designated as county level approvers of NDEF resilience Projects. Subsequently, timelines for project processing were missed on account of delayed establishment of CDFSCs. As a result, the entire resilience allocation was from the prior year (FY 2022/23) was brought forward, and was available during the reporting period, alongside the Kshs. 5 million for the FY 2023/2024. Due to inadequate funding, only five (5) resilience projects were processed during the reporting period, for implementation with NDEF resources during the FY 2024/2025.

A further constraint in the Fund operations is the limited liquidity to support administrative costs, which stems from the limited allocations from TNT. Over the two (2) years, including the reporting period, the allocation to administrative costs was Kshs. 14.5 million for administrative

**National Drought Emergency Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

costs, of which Kshs. 9.7 million should have supported administrative costs in counties while Kshs. 4.8 million would support HQ.

However, majority of these funds were utilized to train members of CDFSCs, a requirement under the Fund Regulations, and little was available for other administrative activities, both at the HQ and the counties. The funding constraint affected even the convening of the necessary coordination meetings for CDFSCs to process and approve Fund supported projects.

While the NDEF mechanism is envisaged as a common basket to receive contributions from state and non-state actors, the continued low Government funding has contributed to the continued inability to attract funding from non-state actors. A further factor is the lack of clarity in the Fund Regulations on the apportioning into Fund components, contributions from partners/donors, especially where the partner/donor has preference to fund particular components rather than all. All these concerns undermine the attractiveness of the Fund as a vehicle for resilience, anticipatory and early drought risk management actions.

10. Environmental and Sustainability Reporting

a) Sustainability strategy and profile

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

b) Environmental performance

The Fund complies with environmental laws in the implementation of resilience projects. For projects such as dams, environmental impact assessments are conducted and approved by the National Environment Management Authority (NEMA) to ensure that the interventions are environmentally friendly. In addition, the fund undertakes Environmental friendly activities such as participating in tree planting exercises so as to offset negative environmental impacts.

c) Employee welfare

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

The NDMA's Human Resource Policy and Procedures Manual indicates that the Authority is an equal opportunity employer and shall not in its recruitment and staff selection discriminate on the basis of gender, race, religion, ethnicity or any other form of discrimination. The constitutional requirement on mainstreaming of gender and people with disabilities will be observed alongside any policies issued by the National Cohesion and Integration Commission.

Section 8 on Performance Management and Section 10 on Training and Development in the HR Manual and the Career guidelines supports managing of careers, improving skills, appraisals and reward systems in the Authority. The Authority trained a total of 171 staff members and promoted 18 staff members during the reporting period. The Authority's complies with the safety policy provided for in the Occupational Safety and Health Act of 2007(OSHA) and Section 12 of the NDMA Human Resource Policy and Procedures Manual.

d) Corporate Social Responsibility / Community Engagements

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

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

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

- Committing to the law;
- Minimizing negative impacts of interventions;
- Applying transparency and accountability in its operations;
- Respecting customer feedback and processes;
- Seeking and supporting vulnerable communities;
- Applying participatory approaches; and
- Applying interactive and not just "transactive" communication with communities recognizing the importance of local knowledge.

11. Report of the Fund Board of Directors

The Directors submit their report together with the unaudited financial statements for the year ended June 30, 2024 which show the state of the Fund's affairs.

Principal activities

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

Results

The results of the Fund for the year ended June 30, 2024, are set out in page 1.

Directors

The members of the Board of Directors who served during the year are shown on page ix & xii.

Auditors

The Auditor-General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the Fund for the year ended June 30, 2024



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

Fund Administrator

12. Statement of Fund Management’s Responsibilities

Section 84 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a Fund established by NDEF Regulations 2021 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the Fund is responsible for the preparation and presentation of the Fund’s financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2024. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Fund; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Administrator of the Fund accepts responsibility for the Fund’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with the International Public Sector Accounting Standards. The Fund Administrator further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Fund Administrator has assessed the Fund’s ability to continue as a going concern and nothing has come to the attention of the Fund Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement. The Fund’s financial statements were approved by the Board on

20-09- 2024 and signed on its behalf by:

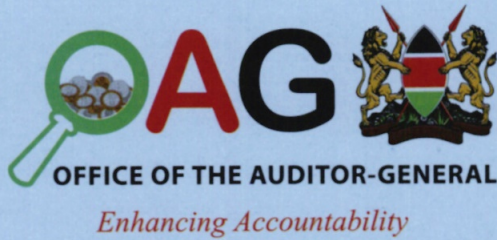
.....
Name: Mr. Shallow Abdullahi Yahya

Chairperson of the Board

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

Fund Administrator

REPUBLIC OF KENYA



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

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

REPORT OF THE AUDITOR-GENERAL ON NATIONAL DROUGHT EMERGENCY FUND FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

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

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on the Financial Statements should be read together with the Report on the Lawfulness and Effectiveness in the Use of Public Resources, and the Report on the Effectiveness of Internal Controls, Risk Management, and Governance.

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of National Drought Emergency Fund set out on pages 1 to 26, which comprise of the statement of financial position as

Report of the Auditor-General on National Drought Emergency Fund for the year ended 30 June, 2024

at 30 June, 2024 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Drought Emergency Fund as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the National Drought Management Act, 2016.

Basis for Opinion

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final budgeted and actual receipts on comparable basis of Kshs.20,000,000 and Kshs.47,125,221 respectively, resulting to an over collection of Kshs.27,125,221. Management has explained that the over collection of Kshs.27,125,221, which was not budgeted for, resulted from interest income generated from bank deposits. Similarly, the Fund spent an amount of Kshs.54,240,320 against actual receipts of Kshs.47,125,221 resulting to an over- expenditure of Kshs.7,115,099 or 15% of the actual receipts. Management has further explained that the over- expenditure of Kshs.7,115,099 was financed from prior year closing bank balances.

My report is not modified in respect of this matter.

Key Audit Matters

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

Other Information

The Fund Board is responsible for the other information set out on page iv to xxxiii which comprise of Key Fund Information and Management, Board of Directors, Key Fund Management Team, Chairman's Statement, Report of the Fund Administrator, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Fund Board and Statement of Fund's Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the National Drought Emergency Fund financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Inadequate Seed Capital

As reported in the previous year, the Fund has received a cumulative amount of Kshs.483,300,000 against a seed capital of two (2) billion shillings provided for in Regulation 4(1) of the Public Finance Management (National Drought Emergency Fund) Regulations, 2021 which requires that the initial capital for the Fund shall be two (2) billion shillings appropriated by Parliament.

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

The audit was conducted in accordance with the ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information

reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

Conclusion

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

Basis for Conclusion

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

Responsibilities of the Management and Board of Directors

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

In preparing the financial statements, the Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management is aware of the intention to cease operations.

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

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

The Board of Directors is responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and

systems are in place to address key roles and responsibilities in relation to overall governance and risk management and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

13 November, 2024

**National Drought Emergency Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

14. Statement of Financial Performance for the year ended 30 June 2024

Description	Notes	2023-2024	2022-2023
			Restated
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from other governments	6	20,000,000	463,300,000
Total Revenue from non-exchange transactions		20,000,000	463,300,000
Revenue from exchange transactions			
Other income	7	27,125,221	10,724,344
Total Revenue from exchange transactions		27,125,221	10,724,344
Total Revenue		47,125,221	474,024,344
Expenses			
Grants and subsidies	8	54,139,431	61,376,795
Bank Charges	9	100,889	118,867
Amortization	10	32,640	-
Total Expenses		54,272,960	61,495,662
Surplus/(Deficit)		(7,147,739)	412,528,682

The notes set out on pages 7 to 25 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:

Name: Hared Hassan Lt.
Col (Rtd)

Fund Administrator

Date 20-09-2024

Name: Samson Masaba

Senior Accountant

ICPAK M/No: 23504

Date 20-09-2024

Name: Shallow Abdullahi
Yahya

Chairman of the Board

Date 20-09-2024

National Drought Emergency Fund
Annual Report and Financial Statements for the year ended June 30, 2024

15. Statement of Financial Position as at 30 June 2024

Description	Notes	2023-2024	2022-2023
			Restated
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	11	401,945,000	408,022,152
Receivables and prepayments	12	3,655,783	13,980,000
Total current assets		405,600,783	422,002,152
Non-current assets			
Intangible Assets	13	76,160	108,800
Total non-current assets		76,160	108,800
Total assets		405,676,943	422,110,952
Liabilities			
Current liabilities			
Trade & Other Payables	14	296,000	9,582,270
Total Liabilities		296,000	9,582,270
Net assets		405,380,943	412,528,682
Financed By			
Capital fund		-	-
Accumulated Surplus/(Deficit)		405,380,943	412,528,682
Net Assets		405,380,943	412,528,682

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

.....


Name: Hared Hassan Lt. Col
(Rtd)

Fund Administrator

Date 20-09-2024

.....


Name: Samson Masaba

Senior Accountant

ICPAK M/No: 23504

Date 20-09-2024

.....


Name: Shallow Abdullahi
Yahya

Chairman of the Board

Date 20-09-2024

16. Statement of Changes in Net Assets for the year ended 30 June 2024

Description	Accumulated Surplus/(Deficit)	Total
	Kshs	Kshs
Balance as at July 01, 2022	-	-
Transfers to/from accumulated surplus (Restated)	412,528,682	412,528,682
Balance as at June 30, 2023	412,528,682	412,528,682
Balance as at July 1, 2023	412,528,682	412,528,682
Surplus/(Deficit) for the year	(7,147,739)	(7,147,739)
Balance as at June 30, 2024	405,380,943	405,380,943

National Drought Emergency Fund
Annual Report and Financial Statements for the year ended June 30, 2024

17. Statement of Cash Flows for the year ended 30 June 2024

Description	Notes	2023-2024	2022-2023
			Restated
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other Governments (Current Year)		16,666,667	450,000,000
Transfers from other Governments (Prior Year Receivables)		13,300,000	-
Transfers from DRMC Project (Prior Year Receivables)		680,000	-
Other income		27,125,221	10,724,344
Total Receipts		57,771,888	460,724,344
Payments			
Grants and subsidies		53,843,432	51,794,525
Bank Charges		100,889	118,867
Payment to NDMA Retention Account		322,450	-
Payments on Behalf of DRMC		-	680,000
Prior Year Payables paid in the current year		9,582,270	-
Total Payments		63,849,040	52,593,393
Net Cash flow		(6,077,152)	408,130,952
Adjustments during the year			
Prior Year Adjustments (Reversed Cheques)		-	-
Net cash flows from operating activities	15	(6,077,152)	408,130,952
Cash flows from investing activities			
Intangible Assets		-	(108,800)
Net Cash flows from investing activities		-	(108,800)
Cash flows from Financing Activities			
Borrowings		-	-
Net Cash flows from Financing Activities		-	-
Increase / (decrease) in cash and cash equivalents		(6,077,152)	408,022,152
Cash and Cash Equivalents at 1 July		408,022,152	-
Cash and cash equivalents as at 30 June	11	401,945,000	408,022,152

- The statement of cash flows has been prepared using the **Direct Method**.
- Net Cash flows from operating activities of negative (-ve) Kshs. 6,077,152 prepared using the Direct Method have reconciled with the Balance in Note 14 to the financial statements (Indirect Method).
- The restatement in the comparative balances relates to correction of errors contained in the Prior Year Audited Financial Statements - Statement of Cash Flows.

18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2024

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of Utilization
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
	a	b=c-a	c	d	e=c-d	f=e/c
Revenue	Kshs	Kshs	Kshs	Kshs		
Transfer from government entities	300,000,000	(280,000,000)	20,000,000	20,000,000	-	100%
Others (Miscellaneous and extra incomes)	-	-	-	27,125,221	-	>100%
Total income	300,000,000	(280,000,000)	20,000,000	47,125,221	-	
Expenses						
Resilience & Preparedness	150,000,000.00	(145,000,000)	5,000,000	27,257,554	(22,257,554)	545%
Response Interventions	120,000,000.00	(117,800,000)	2,200,000	5,707,975	(3,507,975)	259%
Recovery from Impacts of Drought	15,000,000.00	(15,000,000)	-	15,030,044	(15,030,044)	>100%
Administrative Costs	9,000,000.00	(2,350,000)	6,650,000	6,143,858	506,142	92%
Other	6,000,000.00	-	6,000,000	-	6,000,000	0%
Bank Charges		150,000	150,000	100,889	49,111	67%
Totals	300,000,000	(280,000,000)	20,000,000	54,240,320	(34,240,320)	
Surplus/(Deficit) for the period			-	(7,115,099)		

The original budget was Kshs. 300,000,000 which was later revised downwards by Kshs. 280,000,000 to Kshs. 20,000,000 through Supplementary Estimates II of June 2024.

Explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14

Receipts

- The actual income of Kshs. 47,125,221 exceeded the budgeted amount of Kshs. 20,000,000 by Kshs. 27,125,221. This surplus revenue, which was not accounted for in the budget, resulted from interest income generated from bank deposits.

Expenses

- Actual expenses of Kshs. 54,240,320 exceeded the budgeted amount of Kshs. 20,000,000 by Kshs. 34,240,320. This Budget deficit of Kshs. 34,240,320 was funded from unbudgeted receipts of Kshs. 27,125,221 whilst the balance of Kshs. 7,115,099 was financed from prior year closing bank balances of Kshs. 408,022,152

Deficit for the year

The statement of comparison of budget and actuals reflects a deficit for the year of Kshs. 7,115,099 while the statement of financial performance reflects a deficit of Kshs. 7,147,739 resulting to a variance of Kshs. 32,640 which is explained by Amortization Expense of the same amount which is an estimated non-cash item not included in the budget.

19. Notes to the Financial Statements

1. General Information

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

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements is in conformity with the International Public Sector Accounting Standards (IPSAS) which allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 10 of these financial statements.

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

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2024.

There are no new standards effective in the FY.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.

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Standard	Effective date and impact:
<p>IPSAS 43: Leases</p>	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
<p>IPSAS 45: Property Plant and Equipment</p>	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46: Measurement</p>	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.

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Standard	Effective date and impact:
	<p>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS.</p> <p>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</p> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47: Revenue</p>	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48: Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
<p>IPSAS 49: Retirement Benefit Plans</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>

iii. Early adoption of standards

The Fund did not early – adopt any new or amended standards in the financial year.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for the Current period was approved by the National Assembly on 22nd June, 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Fund upon receiving the respective approvals in order to conclude the final budget.

The Fund's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the

financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

c) Taxes

Current income tax

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

d) Intangible assets

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

e) Financial instruments

IPSAS 41 addresses the classification, measurement, recognition and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Fund does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Fund's financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the Fund measures a financial asset or financial liability at

its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

i. Financial assets

Classification of financial assets

The Fund classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

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

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are

recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Trade and other receivables

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

Fair value through surplus or deficit

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

ii. Financial liabilities

Classification

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

f) Provisions

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

g) Contingent liabilities

The Fund does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

h) Contingent assets

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

i) Nature and purpose of reserves

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

j) Changes in accounting policies and estimates

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

k) Foreign currency transactions

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

l) Related parties

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

m) Service concession arrangements

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

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

n) Cash and cash equivalents

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

o) Comparative figures

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

p) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the period ended June 30, 2024.

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual value

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

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

Provisions

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

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6. Transfer from other Government Entities

Description	2023-2024	2022-2023
Conditional grants-Government Grants	KShs	Kshs
State Department for Development of the ASALs	20,000,000	463,300,000
Total government grants and subsidies	20,000,000	463,300,000

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

Name of The Entity Sending the Grant	Amount recognized to Statement of Financial performance.	Amount receivable as income.	Amount recognised in capital fund.	Total transfers 2023 - 2024
	KShs	KShs	KShs	KShs
State Department for Development of the ASALs and Regional Development	20,000,000	3,333,333	-	16,666,667
Total	20,000,000	3,333,333	-	16,666,667

7. Other Income

Description	2023-2024	2022-2023
	Kshs	Kshs
Premiums from bank balances	27,125,221	10,724,244
Miscellaneous income – Meru Office	-	100
Total Other income	27,125,221	10,724,344

8. Grants and Subsidies

Description	2023-2024	2022-2023
		Restated
	Kshs	Kshs
Resilience & Preparedness	27,257,554	654,600
Response Interventions	5,707,975	51,816,152
Recovery from Impacts of Drought	15,030,044	997,636
Administrative costs	6,143,858	7,908,407
Total Grants and Subsidies	54,139,431	61,376,795

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Note: Prior year (2022/23) audited figures on Recovery from impacts of Drought have been restated from Kshs. 518,200 to Kshs. 997,636 due to prior year expenditure of Kshs. 479,436 not recognised in the prior year financial statements.

9. Bank Charges

Description	2023-2024	2022-2023
	Kshs	Kshs
Bank Service Commission	100,889	118,867
Total Bank Charges	100,889	118,867

10. Amortization Expense

Description	2023-2024	2022-2023
	Kshs.	Kshs.
Intangible assets Amortization	32,640	-
Total	32,640	-

11. Cash and Cash Equivalents

Description	2023-2024	2022-2023
	Kshs	Kshs
National Drought Emergency Fund 01100311520005	400,943,110	397,761,168
NDEF County Balances	1,001,890	10,260,983
Total Cash and Cash Equivalents	401,945,000	408,022,152

Detailed Analysis of the Cash and Cash Equivalents

Financial Institution	Account number	2023-2024	2022-2023
		Kshs	Kshs
a) Current Account			
NCBA Bank	2144470163	-	397,761,168
Cooperative Bank	01100311520005	400,943,110	-
KCB Bank	22 Bank accounts	1,000,890	10,254,856
Cooperative Bank	01141570503500	1,000	6,127
Grand Total		401,945,000	10,260,983

12. Receivables from Non-Exchange Transactions

Description	2023-2024		2022-2023	
	Kshs		Kshs	
KCB Retention	322,450		-	
PS ASAL	3,333,333		13,300,000.00	
EDE DRMC	-		680,000.00	
Total Receivables from Non-Exchange Transactions	3,655,783		13,980,000	
Ageing Analysis- Receivables from non-exchange transactions	Current FY	% of the total	Comparative	Current FY
Less than 1 year	3,655,783	100%	13,980,000	100%
Between 1-2 years	-	-	-	-
Over 3 years	-	-	-	-
Total	3,655,783	100%	13,980,000	100%

13. Intangible Assets

Description	2023-2024		2022-2023	
	Kshs		Kshs	
Cost				
At beginning of the period	108,800		-	
Additions	-		108,800	
Amortization	(32,640)		-	
At end of the period	76,160		108,800	
NBV	76,160		108,800	

14. Trade & Other Payables

Description	2023-2024		2022-2023	
			Restated	
	Kshs		Kshs	
Other Payables	296,000		9,582,270	
Total Trade & Other Payables	296,000		9,582,270	
Ageing analysis: (Trade and other payables)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	296,000	100%	9,582,270	100%
1-2 years	-	0%	-	0%
2-3 years	-	0%	-	0%
Over 3 years	-	0%	-	0%
Total	296,000	100%	9,582,270	100%

15. Cash Generated from Operations

Description	2023-2024		2022-2023	
			Restated	
	Kshs		Kshs	
Surplus/(Deficit) for the Year	(7,147,739)		412,528,682	
Add: Amortization expense	32,640		-	
	(7,115,099)		412,528,682	
Adjusted for Working Capital Changes				
(Increase)/Decrease in receivables	10,324,217		(13,980,000)	
Increase/(Decrease) in payables	(9,286,270)		9,582,270	
Net cash flow from operating activities	(6,077,152)		408,130,951	

16. Financial Risk Management

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

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credit is only extended to customers with an established credit history. The Fund's financial risk management objectives and policies are detailed below:

i) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position,

past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Fund's management based on prior experience and their assessment of the current economic environment.

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
As at 30th June 2024				
Receivables from non-exchange transactions	3,655,783	3,655,783	-	-
Bank balances	401,945,000	401,945,000	-	-
Total	405,600,783	405,600,783	-	-

ii) Liquidity risk management

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

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Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30th June 2024				
Trade & Other Payables	296,000	-	-	296,000
Total	296,000	-	-	296,000

iii) Market risk

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

a) Foreign currency risk

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

b) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value.

Determination of fair value and fair values hierarchy

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Fund considers relevant and observable market prices in its valuations where possible.

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

iv) Capital Risk Management

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

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Description	2023-2024	2022-2023
	Kshs	Kshs
		Restated
Accumulated Surplus/(Deficit)	405,380,943	412,528,682
Capital Reserve	-	-
Total Funds	405,380,943	412,528,682
Total Borrowings	-	-
Less: Cash and Bank Balances	(401,945,000)	(408,022,152)
Net Debt/ (Excess Cash and Cash Equivalents)	(401,945,000)	(408,022,152)
Gearing	none	none

17. Related Party Disclosures

Nature of related party relationships

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

Government of Kenya

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

Description	2023-2024	2022-2023
	Kshs	Kshs
Transactions with related parties		
a) Grants /transfers from the government		
Grants from national govt	20,000,000	463,300,000
Total	20,000,000	463,300,000

18. Segment Information

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

19. Contingent Assets and Contingent Liabilities

Contingent Assets

Description	2023-2024	2022-2023
	Kshs	Kshs
Contingent Assets		
Insurance Reimbursements	-	-
Assets Arising from Determination Of Court Cases	-	-
Reimbursable Indemnities and Guarantees	-	-
Total	-	-

Contingent Liabilities

Description	2023-2024	2022-2023
	Kshs	Kshs
Contingent Liabilities	-	-
Court Case against the Entity	-	-
Bank Guarantees in Favour of Subsidiary	-	-
Contingent Liabilities arising from Contracts Including PPPs	-	-
Others (Specify)	-	-
Total	-	-

20. Capital Commitments

Capital Commitments	2022-2023	2023-2024
	Kshs	Kshs
Authorised for	-	-
Authorised and contracted for	-	-
Total	-	-

21. Events after the Reporting Period

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

22. Ultimate And Holding Entity

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

23. Currency

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

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20. Appendices

Appendix 1: Implementation Status of Auditor-General’s Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	During the year under review, the Fund received a cumulative amount of Ksh 463,300,000 against a seed capital of two (2) billion shillings provided for in Regulation 4(1) of the National Drought Emergency Fund Regulations, 2021 which requires the initial capital of the fund to be (2) billion shillings appropriated by Parliament. In the circumstances, the delayed release of the seed capital may affect the optimal implementation of the envisaged drought risk management actions.	The minimal capitalization of the fund makes it difficult to attain optimal implementation of envisaged drought risk management actions. The available 3% fraction for Fund administration when viewed against the allocation received so far over two financial years severely constrains Fund management activities. This makes it impossible to maintain requisite human resource for the Fund, resulting in NDMA staff assuming additional roles of performing Fund management activities.	Not resolved	



Fund Administrator

Date: 20-09-2024

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Appendix II: Projects implemented by NDEF

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

Project Code & Project Title	Financing			Actual cumulative Exp. up to 30th June 2024	Project completion % as at 30th June 2024	Approved Budget 2023/24		Source of Funds
	Estimated Cost of Project	GoK	Foreign			GOK	Foreign	
		Kshs. Million				Kshs. Million		
-	-	-	-	-	-	-	-	GoK
TOTAL	-	-	-	-	-	-	-	

Appendix III: Status of Projects completion

Project Title	Total Project cost (Mil Kshs)	Total expended to date (June 2024) (Mil Kshs)	Completion % to date	Budget 2023/24 (Mil Kshs)	Actual 2023/24 (Mil Kshs)	Sources of funds
-	-	-	-	-	-	GoK

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Appendix IV: Transfers from Other Government Entities

Name of the MDA Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of EAC, ASALs & Regional Development	18/07/2023	Development	13,300,000	-	-	-	-	-	13,300,000
Ministry of EAC, ASALs & Regional Development	13/03/2024	Development	10,000,000	10,000,000	-	-	-	-	10,000,000
Ministry of EAC, ASALs & Regional Development	08/05/2024	Development	6,666,667	6,666,667	-	-	-	-	6,666,667
Ministry of EAC, ASALs & Regional Development	18/07/2024	Development	3,333,333	3,333,333	-	-	3,333,333	-	-
Total			33,300,000	20,000,000	-	-	3,333,333	-	29,966,667

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Appendix V- Inter-Entity Confirmation Letter

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Appendix V- Inter-Entity Confirmation Letter							
Reference Number	Date Disbursed	Amounts Disbursed by the Fund (NDEF) as at 30th June 2024				Amount Received by [beneficiary Entity] (KShs) as at 30 th June (Previous FY) (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<p>We confirm that the fund never did any inter-entity transfers during the financial year 2023-24.</p> <p>Head of Accountants department of beneficiary Entity:</p> <p>NameN/A..... SignN/A.....DateN/A.....</p>							

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Appendix VI: Reporting of Climate Relevant Expenditures

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

Appendix VII: Reporting on Disaster Management Expenditure

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-