

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



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**REPORT**

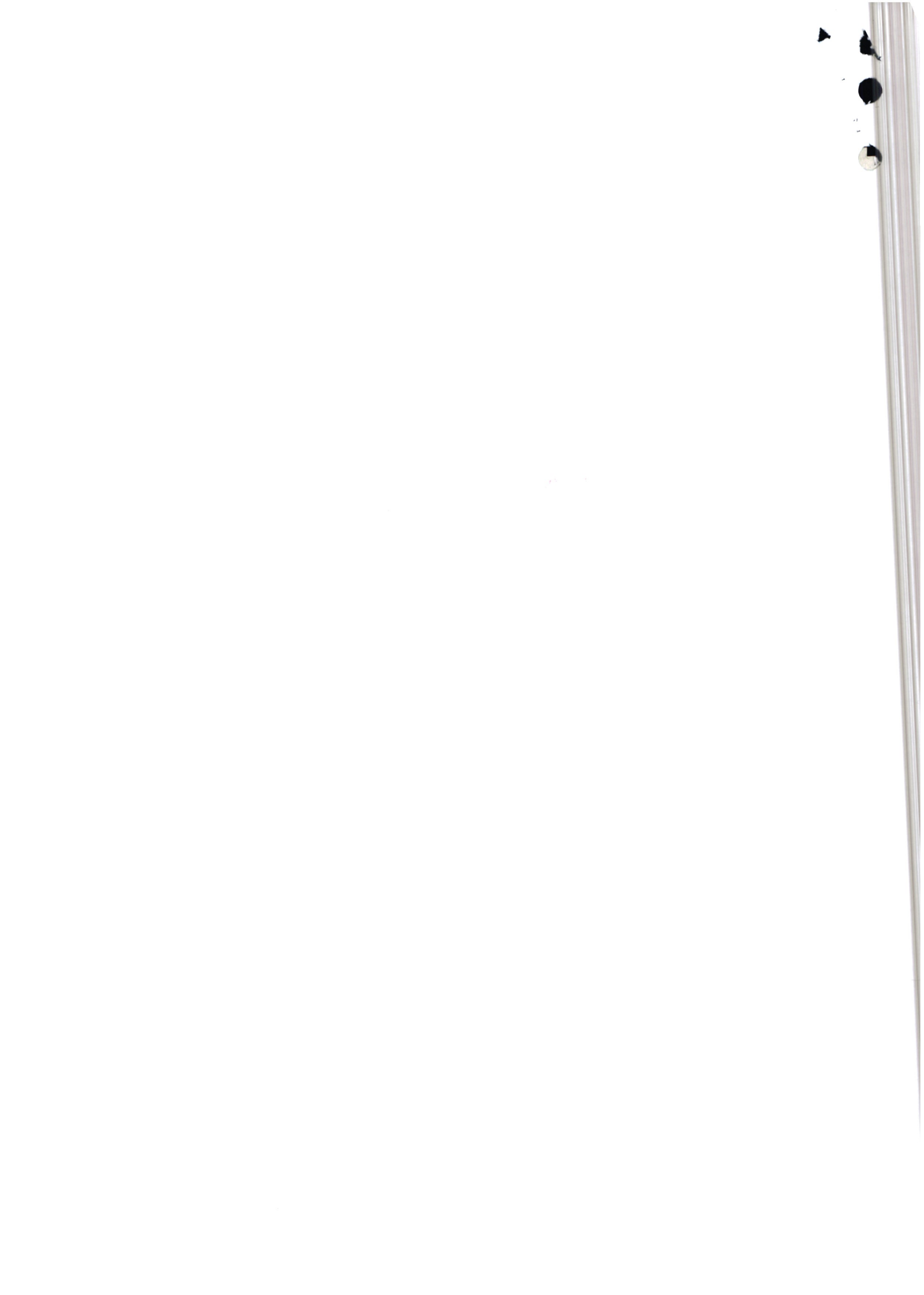
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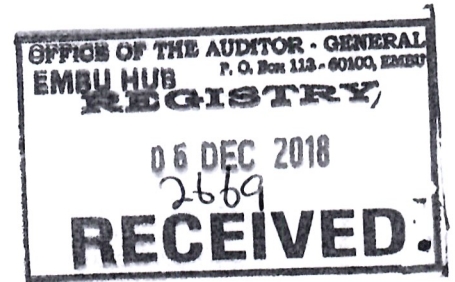
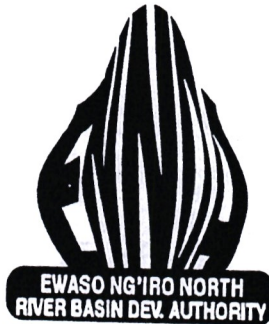
**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
EWASO NGI'RO NORTH RIVER  
DEVELOPMENT AUTHORITY**

**FOR THE YEAR ENDED  
30 JUNE 2018**





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**EWASO NG'IRO NORTH RIVER DEVELOPMENT AUTHORITY**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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

**Ewaso Ng'iro North River Development Authority  
Reports and Financial Statements  
For the year ended June 30, 2018**

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**KEY ENTITY INFORMATION AND MANAGEMENT**

**(a) Background information**

Ewaso Ng'iro North River Basin Development Authority (ENNRBDA) is a statutory body created through the ENNRBDA Act (Cap 448) of 1989. Inter alia, the mandate of ENNRBDA as specified in Cap 448 of 1989 is to promote economic development within the Ewaso Ng'iro River Basin Development Authority.

**(b) Principal Activities**

The principal activity/mission of the Authority is to contribute to development in the Ewaso Ng'iro North River Basin area through promotion of agro-industry development, creation of employment, resource conservation, sustainable exploitation and management of natural resources, promotion of tourism and sustainable utilization of the environment to alleviate poverty and enhancement of food self-sufficiency.

**(c) Key Management**

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

- Board of Directors
- Managing Director
- Senior Managers

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2017 and who had direct fiduciary responsibility were:

No	Designation	Name
1.	Managing Director	Omar M. Sheikh, OGW
2.	Chief Technical Services & Operations Manager (CTS&OM)	Mr. Josiah W Mulwa, HSC
3.	Finance Manager	Ms Lucy Wamaru
4.	Chief Internal Auditor	Mr. Abdirizak M. Abdille
5.	Procurement Officer	Mr. Fatuma Ali Jillo
6.	Planning & Special Programs Manager	Mr. John Mwaniki
7.	Regional Manager	Mr. Abdullahi Wario
8.	Regional Manager	Mr. Ahmed Yussuf
9.	Regional Manager	Ms. Esther Rimberia
10.	Senior Internal Auditor	Mr. Hersi H. Bante
11.	Statistician	Mr. Kiptisia K. David

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**(e) Fiduciary Oversight Arrangements**

The audit risk management committee (ARMC) and the finance committee of the of the Authority's board provide overall fiduciary oversight on the activities of Ewaso Ng'iro North River Development Authority. The reports and recommendations of the audit committee and the finance committee when adopted by the board are forwarded to the management for implementation. Any other issues that require policy guidance are forwarded by the board to the cabinet secretary.

**(f) Authority Headquarters**

**REGISTERED OFFICE:** Ewaso Ng'iro North River Basin Development Authority  
P.O. BOX 203, FAX 064 -52507  
**ISIOLO.**  
TEL.064 – 52002/52507  
Email:[ewasonorth14@hotmail.com](mailto:ewasonorth14@hotmail.com)

**(g) Authority Contacts:**

Telephone: (254) 52507  
E-mail: [ewasonorth14@hotmail.com](mailto:ewasonorth14@hotmail.com)  
Website: [www.ennda.go.ke](http://www.ennda.go.ke)

**(h) Authority Bankers:**

- |                           |   |                 |
|---------------------------|---|-----------------|
| 1) Barclays Bank of Kenya | - | Meru Branch     |
| 2) Consolidated Bank      | - | Isiolo Branch   |
| 3) Kenya Commercial Bank  | - | Isiolo Branch   |
|                           | - | Meru Branch     |
|                           | - | Nanyuki Branch  |
|                           | - | Garissa Branch  |
|                           | - | Mandera Branch  |
|                           | - | Wajir Branch    |
|                           | - | Moyale Branch   |
|                           | - | Marsabit Branch |

**(i) Independent Auditors**

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





**(j) Principal Legal Adviser**

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






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**THE BOARD OF DIRECTORS**


The Board is composed of twenty members, with ten from the private sector and ten representatives from the public sector. The Chairman is appointed by the President from amongst the eight members from the private sector, and serves for a maximum of two 3-year terms. The members of the Board who held office during the year are as follows:-

Director's passport-size photo and name	Director's date of birth, key qualifications and work experience
 <p>Hon. Hussein Maalim Mohamed, EGH - Chairman</p>	<p>He was born in 1948 and was appointed as the chairman of the Board on 10<sup>th</sup> March 2016. He was an elected member of parliament from 1979 to 2007. He served as a cabinet minister from 1983 to 2002 in the ministries of; Office of the President, Culture and Social Services, Min. of Water, Land &amp; Reclamation, Min. of Regional Development, Research and Technology, Youth and Women Affairs, Medical Services and Min. of Home Affairs.</p>
 <p>Omar M. Sheikh, OGW</p>	<p><b>Date of birth:</b> 1959  <b>Qualifications:</b>  Master of Science in Agriculture and Rural Development {Thesis}  <b>Work Experience:</b>  <b>2013 to date:</b> Managing Director - Ewaso Ng'iro North Development Authority (ENNDA)  <b>2007 to 2012:</b> Project Coordinator for the Establishment of a Central Abattoir in Northern Kenya funded by the Arab Bank for Economic Development in Africa (BADEA).  <b>2005-2007:</b> Regional Coordinator Wajir and Mandera District  <b>1996-2004:</b> Senior Livestock Officer - Ewaso Ng'iro North Development Authority (ENNDA).  <b>1992 to 1996:</b> Deputy Extension Coordinator - NEP II National Extension Project (funded by World Bank) Isiolo</p>
 <p>Cyrus Munuhe Mwaniki - Director</p>	<p>Mr. Mwaniki was born in 1958 and joined the Board on 2<sup>nd</sup> October 2015. He holds a Diploma in Theological Education. Worked as Human Resource in the Civil Service for 24 years and currently a Farmer and Businessman, Nyahururu.</p>
 <p>Abdalla Hassan Abdalla - Director</p>	<p>Mr. Abdalla was born in 1986 and joined the Board on 2<sup>nd</sup> October 2015. He holds a Bachelor degree in Commerce (Procurement &amp; Supply chain Mgt option). He has 5 years experience in Civil Engineering Contractor, Entrepreneur &amp; Civil Engineering Consultancy.</p>

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Director's passport-size photo and name	Director's date of birth, key qualifications and work experience
 Abdo Mohamed Bahajj - Director	<p>Mr. Abdo Bahajj was born in 1966 and joined the Board on 2<sup>nd</sup> October 2015. He holds a MA in Project Plan &amp; Mgt, Bachelor Degree in Finance from university of Nairobi. From 1997 to 2000 he was the CEO Ambaco Ltd From 2000 to 2005 UNEP Researcher Officer, 2006 to 2009 Executive Chairman Somworld Consultant, from 2009 to 2013 Director Kenya Tourism Development Cooperation, 2009 to 2013 Golf Hotel Kakamega. From 2015 to 2018 Director Agriculture Development Cooperation.</p>
 Fouzia Abdikadir Dahir - Director	<p>Fouzia Abdikadir was born in 1987 and joined the Board on 2<sup>nd</sup> October 2015. She holds MBA in Finance, Bachelor degree in Commerce (Fin). Worked as an Executive Director for 5 years, worked in Finance and Administration (Private Pharmaceuticals Co.) for 10 years and from June 2017 to date a Commissioner with CRA.</p>
 Julius Lekalja Lterewan - Director	<p>Julius Lekalja was born in 1978 and joined the Board on 2<sup>nd</sup> October 2015. He holds MBA, Bachelor of Education (Counseling). He worked in the Private Sector as a businessman, a Graduate Primary School Teacher for 10 years, Contractor and General Supplier. He also has extensive International exposures some being as follows: Dryland Agriculture in Israel, Israel Trade Fair and convention in 2015, Business Opportunities and Exposure to SE Asia (MATRETE) in Malaysia, 17<sup>th</sup> International Architecture on Interior Design, Building Exhibition (ARCHITEX) in 2016 at Kuala Lumpur combined with factory visit to Singapore and Thailand (KCB/Kenya, Malaysian Embassy Business trip). He has additionally visited constructions of steel &amp; clay works and food processing plants in Germany, LA FOIRE DE PARIS in 2017, Trade Fair in France, Dubai Auto Mechanical Exhibition in United Arab Emirates in Dubai and is also a Managing Director of a Construction and General Supplies company in Kenya.</p>
 Fatuma Hassan M. Eman - Director	<p>Fatuma Hassan was born in 1961 and joined the Board on 2<sup>nd</sup> October 2015. She holds a Diploma (HR) SI Teacher &amp; Graduate in Grassroot Democratization. She has served in various Boards including the National Oil Corporation.</p>
 Alice Mumbi – Director	<p>She was born in 1978 and joined the Board on 2<sup>nd</sup> October 2015. She holds a Masters Degree in Science, Ethics and Governance from Mt. Kenya University and a Bachelors of Arts in Business Management From university of Sunderland UK. She also holds a Diploma in Business Management from Association of Business Executives in the UK. She was a Director of Special Program Economic and Social Empowerment for Young Women Campaign Against AIDS from 2008 to 2011. From 2011 to date she is the CEO of BOL Holdings Africa Company Limited.</p>

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<b>Director's passport-size photo and name</b>	<b>Director's date of birth, key qualifications and work experience</b>
 Sabdiyo Bashuna Dido – Director	Sabdiyo Bashuna was born in 1973 and joined the Board on 2 <sup>nd</sup> October 2015. She holds MBA, Bsc (Agr. Economics). She has worked with various local and International NGOs including the Netherland funded SNV.

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**MANAGEMENT TEAM**

	<b>Manager's passport-size photo and name</b>	<b>Profession/academic qualifications and main area of Responsibility</b>
1.	 Omar M. Sheikh, OGW	Managing Director - Master of Science in Agriculture and Rural Development {Thesis} <b>Area of responsibility</b> ENNDA Organization
2.	 Josiah W. Mulwa, HSC	Chief Technical Services and Operations Manager -Bsc, Msc, S & W/Eng. <b>Area of responsibility</b> Ewaso Ng'iro North Natural Resources Conservation Project (ENNNRCP)
3.	 Lucy Wamaru	Finance Manager - BBA (Accounting option) <b>Area of responsibility</b> Head of Finance
4.	 Abdirizak M. Abdille	Chief Internal Auditor -BCom, CPA II <b>Area of responsibility</b> Audit Section
5.	 John N. Mwaniki	Planning & Special Programs Manager, Msc, Reg. Dev. Planning <b>Area of responsibility</b> Planning Department
6.	 Esther K. Rimberia	Regional Manager - Bsc (Business Adm. & Project Mgt) <b>Area of responsibility</b> Central Regional Office
7.	 Kiptisia K. David	Statistician - Bsc (Statistics/Chem.) <b>Area of responsibility</b> Planning Department
8.	 Abdi Yussuf	Regional Manager - Bsc in Surveying <b>Area of responsibility</b> North Eastern Regional Office
9.	 Abdullahi Wario	Regional Manager - Bsc Community Development <b>Area of responsibility</b> Upper Eastern Regional Office
10.	 Fatuma Ali Jillo	Procurement Officer - Bcom Finance Opt <b>Area of responsibility</b> Procurement Department

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**CHAIRMAN'S STATEMENT**



“Improvement of service delivery at the Authority and reforms of the enabling Act will result to improved efficiency, increase in productivity and development coordination in the Ewaso Ng'iro North River Basin”

It gives me pleasure to present the Ewaso Ng'iro North River Basin Development Authority's Annual Report and Financial Statements on behalf of the Board of Directors for the year ended 30<sup>th</sup> June 2018. The Authority delivered few projects and programmes owing to limited funding during the year under review.

**Hon. Hussein Maalim Mohamed, EGH**

**CORPORATE SOCIAL RESPONSIBILITY**

As the Authority continues to achieve the set strategic objectives, it considers Corporate Social Responsibility as an integral part of its core values. The Authority cares for its staff, the communities around, and is sensitive to the environment in which it operates.

During the year 2017/2018, the Authority was involved in various Corporate Social Responsibility initiatives aimed at impacting positively on the lives of respective communities. The Authority's Corporate Social Responsibility activities focused response to distress calls by undertaking water trucking in Isiolo, Marsabit, Wajir, Mandera, and Garissa counties. Supply of submersible pumps, construction and rehabilitation of water pans in some counties within the Basin and carrying out hydrogeological surveys as well as drilling more than 13 borholes for Nyandarua County in collaboration with the County Government of Nyandarua.

**FUTURE OUTLOOK**

The Authority has been focusing on developments driven by key factors, major amongst them stakeholder participation, multi-sectoral and integrated projects and programmes. Value addition to available products for the improvement of the living standards of the Basin's communities which has been at the centre stage for service delivery by the Authority. Private Public Partnership (PPP) are viewed as the way forward for future growth of the Authority and the entire region. Development of large scale water reservoirs, exploration of solar and wind development will be integral in projects to be implemented by the Authority.

**APPRECIATION**

I take this opportunity to thank my colleagues in the Board for supporting me in providing leadership in the organization over the past year. Their commitment contributed immensely to our performance in the year just ended. I commend Management and staff for working tirelessly to achieve the level of projects delivery experienced during the years. I am confident that they shall spare no effort to surpass the targets we have set for the new financial year and according to our 2018-2022 Strategic Plan, being reviewed and guided by the Integrated Regional Development Plan 2010-2040 prepared by the Authority.

In conclusion, I thank our customers, the community and other business partners for supporting our organization in various ways. We are confident that with your support we

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shall make the Authority the leading agency Authority in Regional Planning and Development.

Thanks and God Bless you.



**Hon. Hussein Maalim Mohamed, EGH  
CHAIRMAN**

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**MANAGING DIRECTOR'S STATEMENT**



“We continue to make remarkable strides in our quest to transform the lives of communities of the ENNR Basin particularly and Kenya generally”

I am delighted to present the Authority's Annual Review in line with our commitment in keeping our customers and other stakeholders aware of the Authority's performance and development, during the financial year ended 30<sup>th</sup> June 2018.

**Omar. M. Sheikh, OGW**

The core activities of the Authority are planning, coordination, and implementation of integrated multi-sectoral projects and programmes based on its four main Programme areas of: Development of River banks, water bodies and catchment areas; Regional Development planning; Integrated Basin Based Development; and Community Empowerment & Support programmes

**OPERATIONAL PERFORMANCE**

Over the years, the Authority has been able to successfully carry out the following under the four core areas:

Development of River banks, water bodies and catchment areas, where 5,000 tree seedlings were planted in Ewaso North Ng'iro River catchment areas in Aberdares and Mt. Kenya water towers and river and riparian areas; 17ha of catchment and riparian areas conserved and or Rehabilitated and 21km of riparian protected.

Community Empowerment and Support Programme during this period includes business plan for camel milk processing plant completed, carried out 40% fencing for the Site of the milk processing factory, for Community support and empowerment programme the Authority carried initiative such as operationalizing the gums and Resin Processing factory where it purchase one (1) ton of gums and resins, and created employment to more than 300 beneficiary communities in the various stages of the project development. Under the Ewaso Ng'iro North Integrated Water, drought, and Food Security development Programme the authority was able to train 500 beneficiaries on on-farm water storage and harvesting for crop production.

**Investments**

Though the Authority's development has been hampered by reduced funding during the reporting year, nonetheless, The Authority has been able to undertake elaborate review of the guiding document: the strategic plan, which provides the path ahead for development.

**The Strategic Plan**

During the year, the Authority continued implementing projects and programmes as planned in the Strategic Plan 2013-2018 and currently under revision. The revised draft of the strategic plan recognizes progressive changes and national transformation strategies that have been embedded in government policy documents and operations including the “Big Four” Agenda.

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The Revised Strategic Plan focuses on high productivity and efficiency; modern infrastructure and facilitative projects that are aimed at transforming the Basin's communities living standards by alleviating poverty through retarding catchment degradation, provision of adequate water in both quantities and quality. It aligns all the Authority development projects to the 'Big Four' and thus envisages food security through promotion of affordable irrigation development, construction of a modern camel milk processing factory while provision of modern affordable housing through production of stabilizes soil bricks, and production of heavy clay building materials is anticipated. On the manufacturing sub-sector, the plan envisages operationalization of the Gums and Resins factory, implementation of the meat processing plant (abattoir) is prominent in the plan. The strategic plan therefore strives to put the Authority at the forefront in sustainable resources development across all sectors and subsectors, in line with vision 2030 goals.

**Risk Management**

We continue to work towards a strong risk management framework. This framework will enable among other things to identify and manage significant risks in our operations and constantly monitor the risk profile in relation to our operations

**Service Delivery**

In line with the Authority's core values of excellence, integrity, team work and social responsibility, the Authority operates in a corruption free environment where the respect of all, equitable development and delivery of community demanded projects and programmes. The outputs from Authority are made to ensure delivery of quality and competitive services that exceed customer expectations.

We have embraced on information technology as a way of enhancing efficiency in our service delivery, by computerising the Authority payroll, Human resource records and regularly updating our GIS database among others. This has improved transparency, accountability and flow of financial transactions.

**Safety, Health and Environment**

The maintenance of appropriate fire fighting equipment and other safety standards remains a key responsibility of all employees and the Authority is committed to the proactive management of safety risks associated with operations. Our objective is to identify, reduce and control material risks relating to fires, accidents or injuries to employees and customers. Both internal and out of office work environment is given due regard to ensure ergonomics on employees.

**Appreciation**

I would like to thank our customers, our dedicated and talented staff, our service providers, the County Government's under the jurisdiction of the Authority and all other stakeholders for their contribution during the year. The collaborative efforts provided by CETRAD in data and information development, County Government of Nyandarua in joint water projects development cannot be left unmentioned. We express our thankfulness to them all among others. I look forward to their continued support as we strive to provide unparalleled services to the community and stakeholders of the Basin.

  
**Omar M. Sheikh, OGW**  
**MANAGING DIRECTOR.**

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## **CORPORATE GOVERNANCE STATEMENT**

The Board is committed to ensuring that the Authority is run in a professional, transparent, just and equitable manner so as to protect and enhance that the communities and our valued shareholders interest and value are satisfied with our service delivery. The principles and standards adhered to by the board have been developed with close reference to guidelines on corporate governance issued by the Centre for Corporate Governance, State Corporation Advisory Committee (SCAC), and the Government for Government State Corporations.

### **The Board Size, Composition and Independence**

The Board consists of twenty-seven (27) directors out of whom thirteen (13) are independent non-executive directors including the Chairman, Executive Managing director and thirteen (13) Alternate directors representing various government institutions. The Board composition draws a good mix of skills, experience and proficiencies in various fields bringing together a broad array of leadership and management skills into the Authority.

The non-executive Directors and the alternate directors are independent of Management. Their role is to advise, constructively challenge and monitor the success of Management in delivering the agreed strategy within the risk appetite and control frame set by the board. They only involve themselves in giving guidance and direction to the Management.

### **Board Responsibility**

The Board's principal duty is to promote the long term success of the Authority, and delivering sustainable value to the shareholder, the government and the major stakeholders, the community's resident in the area of the Authority's jurisdiction.

The Board Charter defines the governance parameters within which the board exists and operates, sets out specific responsibilities of the board, its committees and directors collectively, as well as certain roles and responsibilities incumbent upon directors as individuals.

A summary of the Board responsibilities are as follows:

- ❖ Providing sound entrepreneurial leadership to the Authority within a framework of prudent and effective controls which allow risk to be assessed and managed.
- ❖ Strategy formulation and ensuring that there are adequate policies, systems and structures to successfully implement the Authority's strategic plan.
- ❖ Monitoring the Authority performance against strategic plans and objectives on a going concern basis, as well as holding mandatory quarterly meetings.
- ❖ Selection, appointment and appraisal of Senior Managers.
- ❖ Approve the risk management framework and ensuring that there are adequate structures and systems to identify measure and monitor key risks facing the Authority.
- ❖ Reviewing the effectiveness of systems for monitoring and ensuring compliance with laws of the land, rules and regulations as promulgated by the government from time to time.
- ❖ Reviewing and monitoring the Port's corporate governances, policies and practices.
- ❖ Reviewing the Authority's finances to ensure that there are adequate funds for the planned implementation of projects and programmes to allow growth and expansion of Authority activities as envisaged in the Strategic plan, and the overall Authority's development port folio.
- ❖ Approval of among other things major capital expenditure, borrowings, budget, acquisition of

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land and other heavy capital Assets among others.

**Chairman and Managing Director**

The roles of the Chairman of the Board and the Managing Director remain distinct and separate. The Chairman gives overall leadership to the Board without limiting the principles of collective responsibility for the Board decisions. The Managing Director is responsible to the Board and takes responsibility for the effective and efficient running of the Authority on day-to-day basis.

**Board Remunerations**

The non - Executive Board members are paid sitting allowances for every meeting attended, including travelling and accommodation allowance to and from the meeting to their home county. The chairman is also paid a monthly honorarium and telephone expenses as determined by the government from time to time.

**Board and Strategy/Committee Meetings**

The Board and its committees meet regularly in accordance with business requirements. All directors participate in discussing strategy, performance, financial and risk management of the Authority. Meetings of the board are structured to allow sufficient time for consideration of the matters to be discussed.

The board work plan together with the calendar (Almanac) of meetings for 2017/2018 were fixed in advance and provided to all the directors. Adequate notice was given for each meeting and the agenda and supporting papers were distributed in advance to all the board and committee members to allow time for appropriate review.

The board has ownership over the Authority's strategic direction. It regularly reviews reports on progress toward the target of the approved work plan, progress against financial objectives and projects and programmes development. The chairpersons of board committees report at each meeting of the board on the activities of the committee since the previous Board meeting. The board receives regular reports from the Managing Director on all matters related to the general running of the Organization, and particularly on projects completion rates, operations environment, strategy, challenges to projects and programmes implementation and budgetary releases and utilization as to gauge the general performance of the Authority.

The Board gets regular reports on the Authority risk appetite profile, top and emerging risks, risk management, liquidity, litigations, compliance and any emerging issues. Departmental heads and Regional Managers are regularly invited to attend board and committee meetings as required to make presentations that give directors an insight into specific technical business areas

**Directors' External Activities and Conflict of Interest**

Directors have a statutory duty to avoid situations in which they have interest which may conflict with the interest of the Authority.

**Board Structure**

The Board operates under a comprehensive structure made up of committees established to assist in discharging its responsibilities and obligations. These committees assist the board in carrying out its functions and ensuring that there is independent oversight of internal controls and risk management.

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The Board has determined the purpose and the number of committees required to support it in carrying out its duties and responsibilities and in guiding Management. These committees have been established with specific terms of reference, which are continually reviewed and up dated. The appointment of members to these committees draws on the skills and experience of individual directors. The role played by board committees forms the principal point of contact between the Directors and Management.

The board committees are namely; Finance and Administration, Planning & Development and Audit Committees. The members of the respective committees are shown on page 16 of this report.

All the committees have at least three (3) independent directors as members. The chair of the committees must be an Independent director. The chairman does not sit in any of the committees.

At every meeting of the full board the chair of each committee presents a report on its activities, decisions and recommendations of their respective committees since the date of the previous meeting for further consideration and approval where necessary.

Details of the committees are given below:

**Finance and Administration Committee**

The core functions of the Finance and Administration Committee shall be to ensure that the undertakings of the Authority are operated efficiently, according to sound Management principles in accordance with Finance Management Act 2012 and ENNDA Act CAP 448 of 1989 and reviewed in 2012.

The committee also is mandated to make reviews of the Human Resources policies and procedures and ensures that they support the strategy of the Authority. It ensures that the Authority maintains a policy of providing remuneration packages that fairly reward staff for their contribution to the operations of the Authority, whilst considering the need to attract, retain and motivate staff of the highest caliber. The committee also ensures successions plans are in place for senior managers of the Authority.

**Planning and Development Committee**

The Committee focuses on ensuring that productivity is maintained according to international standards. It also identifies obstacles that may hamper smooth operations and formulates policies on improvement of Authority performance in projects and programmes delivery.

A significant factor in the Authority's success is the strength of this Committee. Members of the committee bring together vital leadership, planning, monitoring, evaluation and development skills and extensive operational experiences from both local and international exposure. To harness their strength, the Managing Director has established the technical and operations committee. This committee meets regularly and at least quarterly to discuss strategy formulation and implementation, policy matters and financial performance of all ongoing projects and programmes. It is also responsible of ensuring compliance with the regulatory frame work and guideline and adherence to the Authority's policies and procedures. The committee also serves as the link between the board and management in terms of strategic planning, projects implementation and performance. The Managing Director has also nominated the head of technical services and operations including the Head of planning and special programs to this committee to support it in realization of its objectives. The committee may from time to time co-opt other departmental or section heads for some specialised

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information such a GIS and other development related matters including Information Technology among others.

**Audit Committee.**

The committee plays a vital role in ensuring the integrity of financial statements prior to their review and approval by the board. To this end, the committee reviews the accounting policies financial reporting and regulatory compliance of the Authority. The committee also continually evaluates the effectiveness of risk management programs.

The committee receives reports of the Internal and External Auditors and management's corrective response to the findings. The committee also reviews the overall scope, annual plans for the internal audit function's activities and oversees the alignment of risk management programs and internal audit activities. The committee reviews all key internal audit reports and has regular direct access to the Head of Internal Audit

**Membership of Board Committees**

S/no	Name	Classification of Directors	Committees		
			Planning & Development	Finance & Administration	Audit
1.	Hon. Hussein Maalim Mohamed , EGH	Independent/C hairman	-	-	-
2.	Abdalla Hassan Abdalla	Independent		√	
3.	Cyrus MunuheMwaniki	Independent	√		
4.	FouziaAbdikadirDahir	Independent	√		
5.	Abdo Mohamed Bahajj	Independent			√
6.	Julius LekaljaLterewan	Independent	√		
7.	Fatuma Hassan M. Eman	Independent		√	
8.	Alice Mumbi	Independent		√	
9.	SabdiyoBashuna Dido	Independent	√		
10.	Omar Mohamed Sheikh, GW	Managing Director	√	√	-
11.	MainaKiondo	Alternate			√
12.	Gerald Mwangi	Alternate		√	
13.	Joseph Onyango	Alternate			√
14.	Francis Muteti	Alternate		√	
15.	Kisalu Felix	Alternate		√	
16.	Mawira L. Mungania	Alternate		√	
17.	Faith WanderaOdongo	Alternate	√		
18.	Ernest N. Mbogo	Alternate	√		
19.	Stanley MachoguMiyogo	Alternate			√
20.	John Ondego	Alternate			√
21.	AbdifataMohamud	Alternate	√		
22.	Eng. John Muiruri	Alternate	√		

**Ewaso Ng'iro North River Development Authority**  
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**For the year ended June 30, 2018**

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**MANAGEMENT DISCUSSION AND ANALYSIS**



“We have continued to make remarkable strides in our quest to transform the lives of communities of the ENNR Basin particularly and Kenya generally”

I am delighted to present the Authority's Management Discussion and Analysis of performance for the year under review in line with our commitment in keeping our customers, the Shareholders (Government) and other stakeholders aware of the Authority's performance and development, during the financial year ended 30<sup>th</sup> June 2018.

**Omar Mohamed Sheikh, OGW**  
**Managing Director/Chief Executive Officer**

The core activities of the Authority are planning, coordination, and implementation of integrated multi-sectoral projects and programmes based on its four main Programme areas of: Development of River banks, water bodies and catchment areas; Regional Development planning; Integrated Basin Based Development; and Community Empowerment and Support Programme.

**OPERATIONAL PERFORMANCE**

During the Year under Review, the Authority embarked on four (4) Projects, namely *Ewaso Ng'iro North Integrated Catchment Conservation and riparian protection and rehabilitation Project, Gums and Resins Development Programme, Ewaso Ng'iro North Camel milk processing development project* and *Ewaso Ng'iro North Water, Drought and Food Security Development Programmes*. The Authority has been able to successfully carry out the following activities under the three Programme/Project areas:

**a) Ewaso Ng'iro North Camel milk processing development project**

Undertook a feasibility Study, carried Environmental impact Assessment (EIA) on the impacts of the project on the environment and propose mitigation measures against its envisioned negative impacts as well as carrying out an elaborate Business Plan for its implementation. The Authority also carried out 40% fencing around the perimeter of the proposed site, erected a bill Board at the road leading to the site and renovated the site store.

**b) Ewaso Ng'iro North Integrated Catchment Conservation and riparian protection and rehabilitation Project.**

Under this programme, 5,000 tree seedlings were planted in Ewaso North Ng'iro River catchment areas in Aberdares and Mt. Kenya water towers and river and riparian areas; 17ha of catchment and riparian areas conserved and or Rehabilitated and 15km of riparian protected. Additionally, the Authority undertook reconnaissance visits to various counties in the upper part to identify sources of planting materials for bamboo shoots, groups producing bamboo shoots for propagation and areas where setting up of green houses will be done during project take off.

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**c) Gums and Resins processing Factory**

Under this project, the Authority concentrated on completing the construction on processing line among the four proposed. It also embarked on operationalizing the gums and Resin Processing factory where it purchased one (1) ton of gums and resins, and created employment to more than 300 beneficiary communities in the various stages of the project development. A survey of perimeter fence was also carried out.

**d) Ewaso Ng'iro North Water, Drought and Food Security Development Programme**

Ewaso Ng'iro North Integrated Water, drought, and Food Security development Programme the Authority was able to train 500 beneficiaries including Youth and women were capacity build on on-farm water storage and harvesting for crop production.

**e) Drought Mitigation Programme**

On Drought Mitigation Programme, the Authority rehabilitated one (1) dam with a reservoir capacity of 100,000m<sup>3</sup> in Laikipia west Sub-county within Laikipia County and rehabilitated, equipped three (3) boreholes in Merti Sub-county of Isiolo County. Other activities under the Programme included supply of eight (8) submersible water pumps, for water supply to Marsabit, Wajir, Garissa and Mandera Counties, Equipped a borehole in Limbine Meru county and carried out water trucking to Five (5) counties (Isiolo, Marsabit, Wajir, Mandera, Garissa) for eight months.

**Investments**

The Authority's development has been on track, with the following investment projects and programmes achieved during the year:

	<b>Project</b>	<b>Total project Cost</b>	<b>Total expended to date</b>	<b>Completion % to date</b>	<b>Budget</b>	<b>Sources of funds</b>
1	Ewaso Ng'iro North Integrated Catchment Conservation Project	500,000,000	30,000,000	30	20,000,000	Gok
2	Gums and Resins Development Programme	400,000,000	35,000,000	30	22,500,000	Gok
3	Drought Mitigation Programme	45,000,000	45,000,000	100	28,000,000	Gok

**Risk Management**

We continue to work towards a strong risk management framework. This framework will enable among other things to identify and manage significant risks in our operations and constantly monitor the risk profile in relation to our operations

**Service Delivery**

In line with our core values of excellence, integrity, team work and social responsibility, the Authority operates in a corruption free environment where the respect of all, equitable development and delivery of community demanded projects and programmes. The outputs from Authority are made to ensure delivery of quality and competitive services that exceed customer expectations.

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We have embraced on information technology as a way of enhancing efficiency in our service delivery, by computerizing the Authority's payroll, Human resource records and regularly updating our GIS database among others. This has improved transparency, accountability and flow of financial transactions.

**Safety, Health and Environment**

The maintenance of appropriate fire fighting equipment and other safety standards remains a key responsibility of all employees and the Authority is committed to the proactive management of safety risks associated with operations. Our objective is to identify, reduce and control material risks relating to fires, accidents or injuries to employees and customers. Both internal and out of office work environment is given due regard to ensure ergonomics on employees.

**Appreciation**

I take this opportunity to thank all our dedicated and talented staff of the Authority, our service providers, the County Governments under the jurisdiction of the Authority and all other stakeholders for their contribution during the year. Worthy of mentioning here is the Board of Directors for supporting me in providing leadership over the business in the year that has past. Their commitment contributed immensely to our performance in the year that has just ended. In particular, I want to commend the management staff for working tirelessly to achieve the level of project implementation that we witnessed during the year despite the myriads challenges that the organization faced. I am confident that they shall spare no effort to attain and surpass the targets we have set for the new financial year and according to the 2013-2018 strategic plan, now under review.

In conclusion, I thank our customers, the community and other business partners for supporting our business in various ways. We are confident that with your support we shall make the Authority a leading organization in provision of integrated, sustainable development for the welfare of all living in the Ewaso Ng'iro North River Basin.



**Omar M. Sheikh, OGW**  
**MANAGING DIRECTOR**

**CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY  
REPORTING**

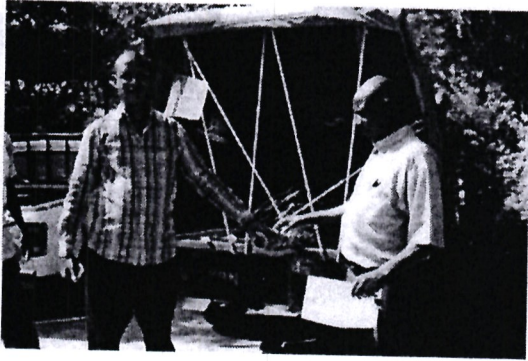
The Authority's Corporate Social Responsibility activities focused response to distress calls by undertaking water trucking in Isiolo, Marsabit, Wajir, Mandera, and Garissa counties. Supply of submersible pumps, construction and rehabilitation of water pans in some counties within the Basin and carrying out hydrogeological surveys as well as drilling more than 13 borholes for Nyandarua County in collaboration with the County Government of Nyandarua.

**Photo of Borehole drilling**



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**Photos of distribution of Submersible Hand Pumps**



**Water Trucking Exercise within the Basin**



**Ewaso Ng'iro North River Development Authority  
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For the year ended June 30, 2018**

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**SUSTAINABILITY STATEMENT**

**Health and Safety at Work**

The maintenance of appropriate health and safety standards remains a key responsibility of all employees and ENNDA is committed to proactively managing all health and safety risks associated with operations. Our objective is to identify, reduce and control materials risks relating to fires, accidents or injuries to employees and customers.

It is the policy of the Authority to provide working conditions which ensure health and safety of all the employees. The Authority ensures that the policy is carried out and at the same time all members of staff are made aware of their individual responsibilities for their own health and safety, that of their colleagues, customers and any other persons who may be affected by their activities at work.

**Ewaso Ng'iro North River Development Authority**  
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**REPORT OF THE DIRECTORS**

The Director's hereby submit their report with the financial statements for the year ended 30<sup>th</sup> June 2017.

**Principal activities**

The principal activities of the Authority are:-

**(1) Development Planning and Coordination**

- 1) To plan for the development and initiate project activities identified from such planning in the area through the government generally;
- 2) To develop an up-to-date long range development plan for the area.
- 3) To coordinate working studies of schemes within the area such that human, water, animal, and land and other resources are utilized to the best advantage and to monitor the design and execution of planned projects within the area;
- 4) To coordinate the present abstraction and use of natural resources, especially water within the area and set-up an effective monitoring of abstraction and usage;
- 5) To ensure that landowners in the area undertake all the measures to protect water and soils of the areas;
- 6) To maintain a liaison between the government, the private sector and other interested agencies in the matter of the development of the area with a view to limiting the duplication of effort and to ensuring the best use of the available technical resources.

**(2) Generation of Strategic Data and Information**

- 1) Initiate study, carry out surveys, initiate, operate and implement projects as may be considered necessary by the government or the Authority to assess alternative demands within the area on the natural resources thereof, and to initiate, operate or implement such projects as may be necessary to exploit those natural resources including agriculture (both irrigated and rain fed), forestry, wildlife and tourism industries, electric power generation, mining and fishing and to recommend economic priorities.
- 2) To identify, collect, collate and correlate all such data related to the use of the water and other resources and also economic and related activities within the areas as may be necessary for the efficient forward planning of the area;
- 3) To consider all aspects of the development of the area and its effects on the rivers inflow and outflow.

**Ewaso Ng'iro North River Development Authority  
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**(3) Monitoring, Evaluation and Implementation of Projects**

- 1) To effect a program of both monitoring and evaluation performance of the projects within the area so as to improve such performance and establish responsibility thereof, and to improve future planning.
- 2) To cause and effect the construction of any works deemed necessary for the protection and utilization of water and soil in the area;

To examine the hydrological and ecological effects of development programmers and evaluate how they affect the economic activities of the person dependent on river environment.

**Results**

The results of the entity for the year ended June 30, 2017 are set out on page two (Balance Sheet page).

**Directors**

The Board of Directors who held office during the year is shown on pages iv to vi. In accordance with ENNDA Act CAP 448, 'the Chairman and members of the Board, other than unofficial members shall hold office for a period of three years from the date of appointment but shall be eligible for re-appointment for one further term of a period not exceeding three years.'

During the year no director retired and none was appointed.

**Auditors**

The Auditor General is responsible for the statutory audit of the Authority in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By order of the Board,



OMAR M. SHEIKH, OGW  
**MANAGING DIRECTOR & SECRETARY TO THE BOARD**

**Ewaso Ng'iro North River Development Authority  
Reports and Financial Statements  
For the year ended June 30, 2018**

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**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and the Ewaso Ng'iro North River Basin Development Authority Act require the Directors to prepare financial statements in respect of that Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year/period and the operating results of the Authority for that year/period. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Directors are also responsible for safeguarding the assets of the Authority.

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

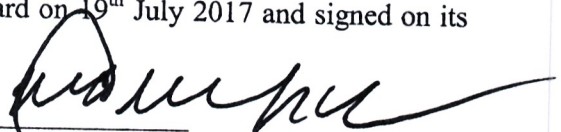
The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Ewaso Ng'iro North River Basin Development Authority Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2017, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

The Authority's financial statements were approved by the Board on 19<sup>th</sup> July 2017 and signed on its behalf by:

  
\_\_\_\_\_  
Chairman BOD

  
\_\_\_\_\_  
Director

**Ewaso Ng'iro North River Development Authority  
Reports and Financial Statements  
For the year ended June 30, 2018**

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**REPORT OF THE INDEPENDENT AUDITORSON THEEWASO NGIRO NORTH RIVER  
BASIN DEVELOPMENT AUTHORITY**

# REPUBLIC OF KENYA

Telephone: +254-20-342330  
Fax: +254-20-311482  
E-mail: [oag@oagkenya.go.ke](mailto:oag@oagkenya.go.ke)  
Website: [www.kenao.go.ke](http://www.kenao.go.ke)



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON EWASO NGI'RO NORTH RIVER DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2018

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Ewaso Ngi'ro North River Development Authority set out on pages 1 to 39, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Ewaso Ngi'ro North River Development Authority as at 30 June, 2018, 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 Ewaso Ngi'ro North River Development Authority Act, Cap 448.

#### Basis for Qualified Opinion

##### 1.0 Bank Overdraft

The statement of financial position reflected total liabilities of Kshs.283,243,957 which included a bank overdraft of Kshs.10,449 in respect to Kazi Kwa Vijana (KKV) current account held at Barclays Bank Isiolo branch. However, the necessary Board approval for the overdraft facility was not availed for audit review. Further, although it was explained that the overdraft arose due to bank charges, the respective bank statements showing the deductions from the account were not provided for audit review.

In the circumstances, the validity and accuracy of the overdrawn bank balance of Kshs.10,449 as at 30 June 2018 could not be ascertained.

##### 2.0 Income from the Government Grants

Note 1 to the financial statements for the year under review reflected Kshs.254,722,674 and Kshs.78,500,000 as recurrent and development National Government grants respectively

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*Report of the Auditor-General On the Financial Statements of Ewaso Ngi'ro North River Development Authority for the year ended 30 June 2018*

both totalling to Kshs.333,222,674. However, confirmation from the State Department of Planning and Statistics revealed that the Authority received Kshs.217,879,281 and Kshs.50,500,000 for recurrent and development National Government grants respectively both totalling to Kshs.268,379,281 resulting into unexplained and unreconciled variance of Kshs.36,843,393 and Kshs.28,000,000 for recurrent and development National Government grants respectively both totalling to Kshs.64,843,393.

In the circumstance, it was not possible to ascertain the accuracy of the Kshs. 333,222,674 National Government grants reflected in the financial statements as at 30 June 2018.

### **3.0 Trade Creditors and Other Payables**

The statement of financial position reflected a Kshs.59,771,368 (17.4%) decrease in trade creditors and other payables from Kshs.343,004,876 as at 30 June 2017 to Kshs.283,233,508 as at 30 June 2018. However, the Authority did not maintain creditor's records including creditor's ledger and registers. In addition, records made available revealed that the Kshs.283,233,508 related to the financial year 2010/2011 and earlier years but the same had not been cleared as at 30 June 2018. Further, included in the Kshs.283,233,508 balance was audit fee of Kshs.1,160,000 for the five financial years commencing 2013/2014 to 2017-2018. However, although the audit fee was due, the same had been disclosed as a provision in the list of trade creditors and other payables. No explanation was provided as to why the Authority had taken too long to settle the trade creditors and other payables raising doubts as to whether it was able to settle its debts as and when they fell due.

In the circumstances, it was not possible to ascertain the completeness and accuracy of the trade creditors and other payables balance of Kshs.283,233,508 as at 30 June 2018.

### **4.0 Property, Plant and Equipment**

#### **4.1 Failure to Safeguard Assets**

Note 14 to the financial statements reflected a property plant and equipment balance of Kshs.283,426,548 as at 30 June 2018 which included Kshs.27,499,272 in respect to motor vehicles. However, physical verification of assets revealed that the grounded motor vehicles and machineries had missing tires and batteries, broken windows, missing fuel tank caps while four motor vehicles were parked in the open exposing them to deterioration through wear and tear. No explanation was provided as to why the Authority had not taken appropriate measures to enhance the security and reduce wear and tear.

Further, it was observed that two (2) lorries; GK A521R and GK A616R had been vandalized at the parking yard and records made available showed that this happened between April 2018 and August 2018 and consequently, two (2) watchmen were arrested and charged. The Ministry of Transport and Infrastructure's report issued vide letter referenced ISO/MTF/10/VOL.III/475 dated 23/8/2018 stated that the damage to the two (2) motor vehicles was worth Kshs.1,047,352 and Kshs.865,376 respectively all totalling to

Kshs.1,912,728. However, this amount had not been recovered as at 30 June 2018. As reported in the previous year's audit report, the Authority has not put in place stringent measure to enhance security of the assets at the parking yard even after the vandalism took place.

In the circumstances, the security of the property plant and equipment balance of Kshs.283,426,548 as at 30 June, 2018 could not be ascertained.

## **4.2 Ownership Documents**

Note 14 to the financial statements reflected a property plant and equipment balance of Kshs.283,426,548 as at 30 June 2018. Allotment letters availed for audit review revealed that the Authority was allocated four parcels of land numbers; Plot B ISL/117/01/3A (1.4ha), ISL/117/2003/2 (0.35ha), ISL/117/2001/3B (2ha) and a 10-acre piece of land at Swara area along Isiolo Archers road. The Authority applied for registration of three parcels of land numbers; Plot B ISL/117/01/3A (1.4ha), ISL/117/2003/2 (0.35ha), and ISL/117/2001/3B (2ha) on 24/10/2008. However, the result of application for registration and ownership documents for the three parcels of land were not provided for audit review. Further, no explanation was provided as to why the Authority did not apply for the registration of the 10-acre piece of land at Swara area along Isiolo Archers road. In addition, review of note 14 to the financial statements showed that the four pieces of land whose values were not provided were not disclosed in these financial statements.

In the circumstances, it has not been possible to ascertain the ownership, existence, completeness and security of the property plant and equipment balance of Kshs.283,426,548 as at 30 June 2018 and that the same was fairly stated.

## **5.0 Going Concern**

The statement of financial position reflected current liabilities figure of Kshs.283,243,957 which exceeded the current assets amount of Kshs.24,398,850 resulting to a negative working capital of Kshs.258,845,106. As a result, the continued going concern of the Authority will depend on financial support from government, banker and creditors.

## **6.0 Administration Expenses**

### **6.1 Legal Fees**

Note 4 to the financial statements reflected administration expenses totalling to Kshs.25,931,908 which included legal fees totalling to Kshs.7,894,761. A review of the Authority's budget revealed that only Kshs.6,000,000 legal fee expenditure was approved during the year under review resulting in over expenditure of Kshs.1,894,761. However, the required approval from the Board covering the Kshs.1,894,761 over expenditure on legal fees was not provided for audit review.

In the circumstances, the Kshs.1,894,761 expenditure as at 30 June, 2018 was irregular.

## **6.2 Unclear Payment for Accident Damages**

Review of the availed legal cases status report revealed existence of Civil suit no. 6415 of 2016 at Milimani Commercial court Nairobi whereby a client (Plaintiff) sued Ewaso Ngi'ro North Development Authority and an officer seeking to be compensated for accident damage caused to their vehicle by the Authority's motor vehicle KBL 650G along Nairobi-Mombasa road. The court ruled in the plaintiff's favour and subsequently an attachment order was issued on Authority's movable properties on 24 May 2018 for payment of Kshs.435,470. However, although the motor vehicle was comprehensively insured, the amount was paid by the Authority instead of the Authority's insurer. No documents were made available to show that the insurance had reimbursed the Kshs.435,470 to the Authority as at 30 June 2018.

Further, details of the accident, police abstract report, post-accident motor vehicle inspection report, insurance reports and the respective Authority's driver's statement explaining the occurrence of the accident were not availed for audit review.

In circumstances, the propriety of the Kshs.435,470 expenditure as at 30 June 2018 could not be ascertained

## **7.0 Staff Costs**

The statements of financial performance for the year under review reflected a Kshs.6,433,697 increase in staff cost from Kshs.137,291,872 as at 30 June 2017 to Kshs.143,725,569 as at 30 June 2018. However, the Authority's development funding reduced by Kshs.46,500,000 from 125,000,000 as at 30 June 2017 to Kshs.78,500,000 as at 30 June 2018 resulting in scaling down of its operations. A physical observation done during the audit of the activities being undertaken in the regional offices revealed that the officers may be idle with little or no work. No reason was given as to why the staff cost could not have been reduced in commensurate with the donor funding since a reduction of funding translated to similar reduction of activities.

In the circumstances, it was not possible to ascertain that the Authority received value for money equivalent to the Kshs.143,725,569 staff cost as at 30 June 2018.

## **8.0 Construction, Supply, Installation, Testing and Commissioning of Gums and Resin Plant - Wajir District**

A review of project file for construction, supply, installation, testing and commissioning of gums and resin plant – Wajir, showed that the project was advertised on 12 March 2010 and subsequently awarded to a Company at a contract price of Kshs.29,499,408. The letter of acceptance was signed on 12 June 2010 while the formal agreement was signed on 27 July 2010. According to the conditions of the contract, the work was to start 14 days after signing of the agreement with a contract period of 6 months. The works were to be completed as per specifications, drawings and the priced bills of quantities. Documents made available for audit showed that by mid-February 2011 Kshs.24,141,154 (82% of the contract price) had

been paid to the contractor. However, a visit to the factory on 9 November 2018 revealed that the factory was complete but not operational. No explanation was provided as to why it had taken too long to operationalize the factory.

In the circumstances, it was not possible to ascertain that the Authority got value for money for the Kshs. 24,141,154 expenditure as at 30 June 2018.

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

### Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

### Other Matters

#### 1.0 Budgetary Control and Performance

##### 1.1 Revenue

The statement of comparison of budget and actual amounts reflected income budget of Kshs.338,00,674 comprising of Kshs.204,632,674 for recurrent and Kshs.78,500,000 for development expenditure funded through government grants, fund balance brought forward of Kshs.50,000,000 and Appropriation in aid of Kshs.4,868,000 as follows;

Items	Current Year Final Budget Figures Kshs.	Actual Revenue Figures Kshs.	Variation Kshs.	Budget Absorption %
A.I.A	4,868,000	4,868,000	0	0%
Recurrent Grants	204,632,674	254,722,674	-50,090,000	-24%
Development Grants	78,500,000	78,500,00	0	0%
Balance Carried forward	50,000,000	50,000,000	0	0%
<b>Total</b>	<b>338,000,674</b>	<b>388,090, 674</b>	<b>-50,090,000</b>	<b>-15%</b>

The Authority therefore received excess grant of Kshs.50,090,000 as at 30 June 2018. However, no documents were made available to show how the Authority received the Kshs.50,090,000 authorized recurrent grants and how they were to be utilized.

## 1.2 Expenditure Analysis

The Authority, budgeted to spend Kshs.338,000,674 during the year under review. However, Kshs.323,487,560 was spent resulting in under expenditure of Kshs.14,513,114 as follows;

Items	Current Year Final Budget Figures Kshs.	Actual Expenditure Figures Kshs.	Variation Kshs.	Budget Absorption %
Staff costs	147,500,000	143,725,569	3,661,284	2%
Administration Expenses	29,800,000	25,931,908	3,868,561	13%
Board Expenses	5,960,000	4,494,434	1,636,962	27%
Development Expenses	78,500,000	81,540,381	-3,040,381	-4%
General Administration, Planning and Support Services (payments to creditors)	76,240,674	67,795,268	8,445,406	11%
<b>Total</b>	<b>338,000,674</b>	<b>323,487,560</b>	<b>14,513,114</b>	<b>4%</b>

The under absorption of Kshs.14,513,114 or 4%, may have negatively impacted on service delivery to the intended beneficiaries as at 30 June 2018.

Further, the statement of financial performance reflected actual expenditure of Kshs.285,347,699 while the statement of comparison of budget and actual amounts reflected Kshs.323,487,560 resulting in unexplained and unreconciled difference of Kshs.38,139,861.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

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

## **Basis for Conclusion**

### **1.0 Human Resource Management**

#### **1.1 Non Compliance to a Third Rule**

Review of the payroll records revealed that nineteen (19) employees earned net salaries which were less than a third of their basic salaries contrary to Section C (3) of the Human Resource Policies and Procedures Manual for the Public Service that require public office not to overcommit their salaries beyond two thirds of their basic salary. No explanation was provided for failure to adhere to the regulations.

In the circumstances, the Authority was in breach of the policies.

#### **1.2 None adherence to Gender Principle**

The payrolls provided for audit revealed that the organization had a total staff position of one hundred and sixty-five (165). This comprised of one hundred and nineteen (119) men equivalent (to) of 72.1% and the balance of forty-six (46) are women or 27.9% of the total staff contrary to Article 27(8) of the Constitution of Kenya 2010 which states that the State shall take legislative and other measures to implement the principle that not more than two-thirds of the members of elective or appointive bodies shall be of the same gender.

In the circumstances, the Authority was in breach of the law.

#### **1.3 Non Adherence to National Cohesion and Integration Act, 2008**

Review of the payroll provided for audit review revealed that the Authority had a total staff of one hundred and sixty-five from different ethnic communities. However, one community comprised 73 members of staff or 44.24% of the total staff contrary to the National Cohesion and Integration Commission Act Section 7(2) which states that no public establishment shall have more than one third (1/3) of its staff from the same ethnic community.

In the circumstances, the Authority was in breach of the law.

#### **1.4 Lack of Approved Staff Establishment**

Review of the employment records revealed that the Authority did not have an approved staff establishment structure. It was therefore not clear how staff requirements for new employees was determined and regularized within the organization structure contrary to Section B.2(1) (2) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which require every Ministry/State Department to 'prepare Human Resource Plans to support achievement of goals and objectives in their Strategic plans. The plans shall be based on comprehensive job analysis and shall be reviewed every year to address emerging issues and needs. On the basis of these Human Resource plans, Ministries/State Departments shall be required to develop annual recruitment plans'.

In the circumstances, the Authority was in breach of the law.

## **2.0 Board Meetings**

Review of the minutes of the Board of directors meeting for the year under review revealed that the Board met twice during the year under review contrary to Section 5 (1) of the Ewaso Ngi'ro North River Development Authority Act Cap 448 which requires the chairman to convene a meeting at least four times in every financial year and not more than four months shall elapse between the date of one meeting and the date of the next meeting.

In the circumstances, the Board was in breach of the law.

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

## **REPORT ON INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS**

### **Conclusion**

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

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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 Management and Those Charged with Governance**

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

In preparing the financial statements, management is responsible for assessing the Ewaso Ngi'ro North River Development Authority'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 either intends to liquidate the Ewaso Ngi'ro North River Development Authority, or have no realistic alternative but to do so.

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

In addition to the responsibility for the preparation and presentation of the Ewaso Ngi'ro North River Development Authority's financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

### **Auditor-General's Responsibilities for the Audit of the Financial Statements**

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance

with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

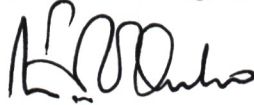
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

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

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Ewaso Ngi'ro North River Development Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

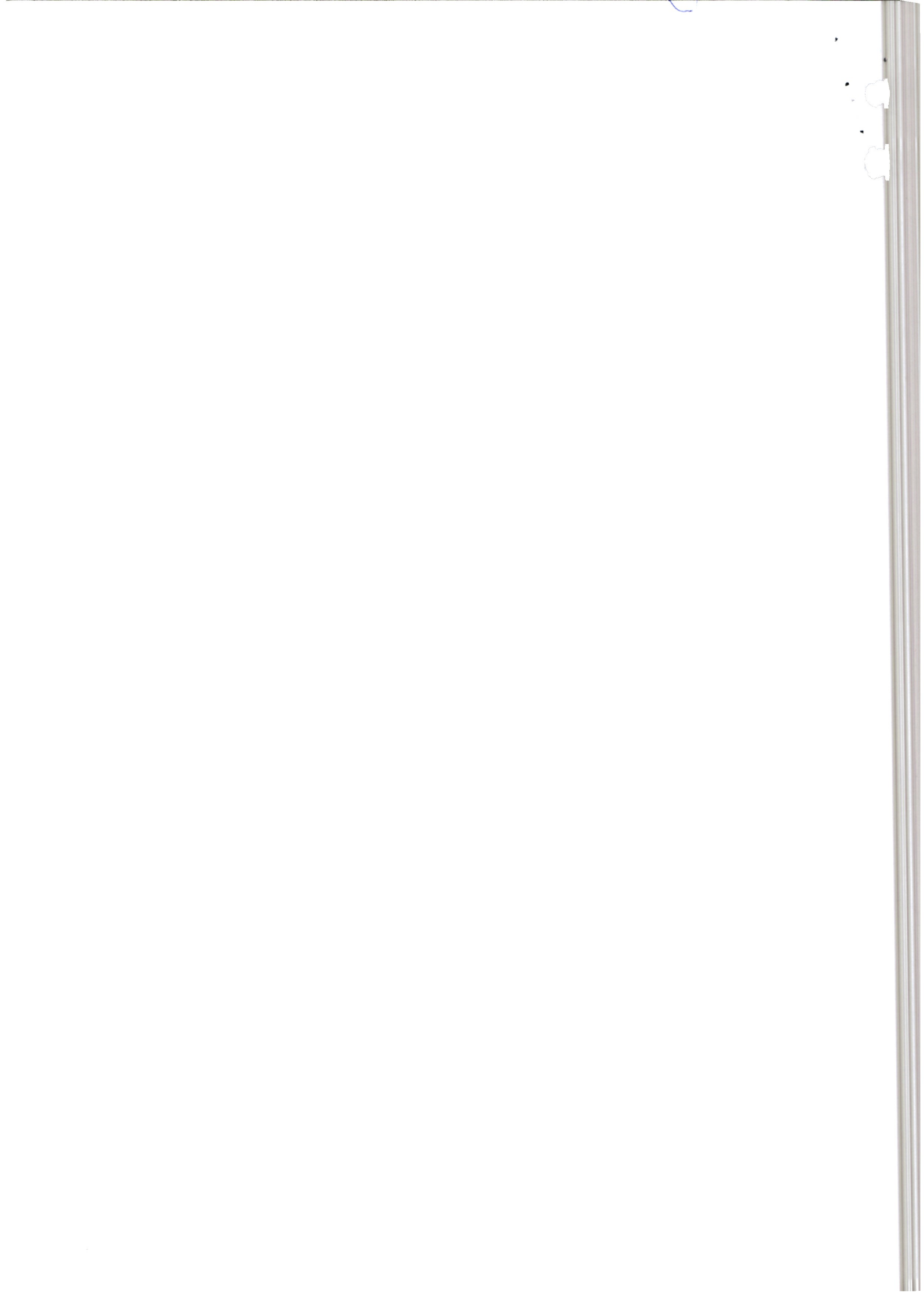
I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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

**Nairobi**

**25 January 2019**



**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	2017-2018	2016-2017
		Kshs	Kshs
<b>Revenue from non- exchange transactions</b>			
Income from the government grant	1	333,222,674	243,879,280
<b>Revenue from non- exchange transactions</b>			
Rendering of Services-A in A	2	4,868,000	11,196,893
<b>TOTAL REVENUE</b>		<b>338,090,674</b>	<b>255,076,173</b>
<b>Expenses</b>			
Staff Costs	3	143,725,569	137,291,872
Administration Expenses	4	25,931,908	336,252
Board Expenses	5	4,494,434	8,022,266
Depreciation -Provision for the Year	6	29,423,407	34,988,720
Development	7	81,540,381	176,364,529
Audit Fees	8	232,000	232,000
<b>Total Expenses</b>		<b>285,347,699</b>	<b>357,291,746</b>
<b>Surplus Before Other Incomes</b>		<b>52,742,975</b>	<b>(102,215,573)</b>
<b>Other Gains /(Losses)</b>			
Gain/Loss on Biological Assets		7,305,500	
<b>Surplus/Deficit for the period</b>		<b>60,048,475</b>	<b>(102,215,573)</b>

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018**

	Notes	2017-2018	2016-2017
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalent	9	24,273,850	2,012,463
Stock /Inventories	10	125,000	138,250
		<b>24,398,850</b>	<b>2,150,713</b>
<b>Non -Current Assets</b>			
Biological Assets	11	8,370,000	1,064,500
Property Plant and Equipment	12	283,426,548	312,849,955
		<b>291,796,548</b>	<b>313,914,455</b>
<b>Total Assets</b>		<b>316,195,398</b>	<b>316,065,168</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade Creditors and Other Payables	12	283,233,508	343,004,876
Bank Overdraft	13	10,449	157,296
<b>Total Liabilities</b>		<b>283,243,957</b>	<b>343,162,172</b>
<b>Net Assets</b>			
Accumulates Funds		16,191,441	(43,857,004)
Capital Reserves		16,760,000	16,760,000
<b>Total Net Assets and Liabilities</b>		<b>32,951,441</b>	<b>(27,097,004)</b>
		<b>316,195,398</b>	<b>316,065,168</b>

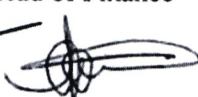
The Financial Statements set out on pages 1 to 2 were signed on behalf of the Board of Directors by:

Managing Director



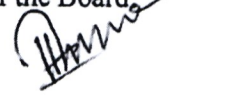
Date 5<sup>th</sup> December 2018

Head of Finance



Date 5<sup>th</sup> December 2018

Chairman of the Board



Date 5<sup>th</sup> December 2018

**STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 30 JUNE 2018**

<b>STATEMENT OF CHANGES IN NET ASSETS</b>				
<b>FOR THE YEAR ENDED 30TH JUNE 2018</b>	<b>ACCUMULATED</b>	<b>CAPITAL</b>	<b>ENNCRP</b>	<b>TOTAL</b>
	<b>SUPLUS</b>	<b>RESERVES</b>		
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Balance as at 30th June 2013	(899,218,830)	16,760,000	28,725,000	(853,733,830)
Surplus/(Deficit)for the period	138,900,768			138,900,768
<b>Balance as at 30th June 2014</b>	<b>(760,318,062)</b>	<b>16,760,000</b>	<b>28,725,000</b>	<b>(714,833,062)</b>
Surplus/(Deficit)for the period	830,653,053			830,653,053
<b>Balance as at 30th June 2015</b>	<b>70,334,991</b>	<b>16,760,000</b>	<b>28,725,000</b>	<b>115,819,991</b>
Surplus/(Deficit)for the period	(48,551,476)			(48,551,476)
<b>Stale cheques</b>	<b>7,850,024</b>			<b>7,850,024</b>
<b>Balance as at 30th June 2016</b>	<b>29,633,539</b>	<b>16,760,000</b>	<b>28,725,000</b>	<b>75,118,539</b>
Surplus/(Deficit)for the period	(102,215,573)			(102,215,573)
<b>Balance as at 30th June 2017</b>	<b>(72,582,034)</b>	<b>16,760,000</b>	<b>28,725,000</b>	<b>(27,097,034)</b>
Surplus/(Deficit)for the period	60,048,475			60,048,475
<b>Balance as at 30th June 2018</b>	<b>(12,533,559)</b>	<b>16,760,000</b>	<b>28,725,000</b>	<b>32,951,441</b>

**STATEMENT OF CASHFLOWS AS AT 30 JUNE 2018**

	Notes	2017-2018	2016-2017
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Surplus/Deficit during the year		60,048,475	(102,215,573)
Add			
Depreciation		29,423,407	34,988,720
Less			
Provision of Disposal			
<b>Working Capital Adjustments</b>			
Less; (Increase)/Decrease in Biological Asset		(7,305,500)	(83,000)
Less; (Increase)/Decrease in Inventory		13,250	(28,250)
Less; (decrease)/Increase in creditors		(59,771,397)	10,394,909
<b>Net cash flows from Operating Activities</b>		<b>22,408,235</b>	<b>(56,943,194)</b>
<b>Net cash flows Used in Investing Activities</b>			
Current Assets			
Bank Overdraft		(146,847)	157,296
Purchase of Furniture and Fittings			
<b>Net Increase/Decrease in Cash and Cash Equivalent</b>		<b>22,261,388</b>	<b>(56,785,898)</b>
Cash and Cash Equivalent as at 1st July		2,012,463	58,798,361
<b>Cash and Cash Equivalent as at 30th June</b>		<b>24,273,850</b>	<b>2,012,463</b>

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
FOR THE PERIOD ENDED 30 JUNE 2018**

Income	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	diff in %
	<b>2017-2018</b>	<b>2017-2018</b>	<b>2017-2018</b>	<b>2017-2018</b>	<b>2017-2018</b>	
	<b>(Kshs)</b>	<b>(Kshs)</b>	<b>(Kshs)</b>	<b>(Kshs)</b>	<b>(Kshs)</b>	
Recurrent Grant	204,632,674		204,632,674	254,722,674	(50,090,000)	-24%
Development	118,000,000	(39,500,000)	78,500,000	78,500,000	-	0%
Appropriation in Aid	15,000,000		4,868,000	4,868,000	-	0%
Balance Carried Forward	50,000,000		50,000,000	50,000,000	-	0%
<b>Total</b>	<b>387,632,674</b>	<b>(39,500,000)</b>	<b>338,000,674</b>	<b>388,090,674</b>	<b>(50,090,000)</b>	<b>-15%</b>
<b>EXPENDITURE</b>						
Basic Salaries	76,000,000		76,000,000	77,293,912	(1,293,912)	-2%
Hardship Allowance	20,000,000		20,000,000	18,379,000	1,621,000	8%
House Allowance	12,000,000		12,000,000	11,855,300	144,700	1%
Medical Allowance	7,500,000		7,500,000	7,137,600	362,400	5%
Other Personal Allowance	12,000,000		12,000,000	11,687,332	154,179	1%
Casual Wages	10,000,000		10,000,000	9,006,109	993,891	10%
Gratuity and Pension	10,000,000		10,000,000	8,366,316	1,633,684	16%
	<b>147,500,000</b>	<b>-</b>	<b>147,500,000</b>	<b>143,725,569</b>	<b>3,615,942</b>	<b>2%</b>
Administration Expenses						
Medical exgratia	50,000		50,000	45,000	5,000	10%
Medical Scheme	10,000,000		10,000,000	5,683,451	4,316,550	43%
Travelling & Office Operation	7,000,000		7,000,000	7,751,558	168,393	2%
Transport Operations	2,000,000		2,000,000	1,717,692	282,308	14%
Training And Seminar	100,000		100,000	94,625	5,375	5%
Internet and postal	150,000		150,000	191,942	(41,942)	-28%
Electricity water conservancy	400,000		400,000	349,828	50,172	13%
Advertising and publicity	1,500,000		1,500,000	1,167,464	332,536	22%
Rent and rates	600,000		600,000	510,000	90,000	15%
Legal Fee	8,000,000		8,000,000	7,894,761	105,239	1%

Bank Charges				525,587		
Board allowances	5,000,000		5,000,000	3,534,434	1,465,566	
Chairman Honoraria	960,000		960,000	960,000	232,056	24%
General Administration, Planning and Support Services	99,529,281		76,240,674	67,795,268	8,445,407	11%
	<b>135,289,281</b>	-	<b>112,000,674</b>	<b>98,221,610</b>	<b>15,456,659</b>	<b>14%</b>
<b>DEVELOPMENT</b>						
Gum Arabic And Gum Resins Integrated Development	22,500,000	-	22,500,000	22,466,233	33,767	0%
Northern Kenya Integrated Camel Development programme	25,000,000	(17,000,000)	8,000,000	8,222,105	(222,105)	-3%
Catchment Conservation and Construction of Small Integrated Water Storage and Irrigation Schemes	22,500,000	(22,500,000)	-	4,187,212	(4,187,212)	100%
Drought mitigation	28,000,000	-	28,000,000	27,125,627	874,374	3%
ENNDA Integrated water, drought and food security programme	20,000,000	-	20,000,000	19,539,204	460,796	2%
	<b>118,000,000</b>	<b>(39,500,000)</b>	<b>78,500,000</b>	<b>81,540,381</b>	<b>(3,040,381)</b>	<b>-4%</b>
<b>Total</b>	<b>400,789,281</b>	<b>(39,500,000)</b>	<b>338,000,674</b>	<b>323,487,560</b>	<b>14,513,114</b>	<b>4%</b>

- i. Recurrent Grants: second supplementary budget for FY 2016/2017 was received in FY 2017-2018***
- ii. The under expenditure in most of the recurrent items was due to second supplementary budget being received towards the end of the FY 2017/2018***
- iii. The over expenditure in the development item was due to budget cuts during the second supplementary budget***

**Ewaso Ng'iro North River Development Authority**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

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**NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

Ewaso Ng'iro North River Development Authority is established by and derives its authority and accountability from Ewaso Ng'iro North River Development Authority Act(Cap 448) of 1989. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to promote economic development within the Ewaso Ng'iro River Basin Development Authority.

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Authority.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Ewaso Ngiro North River Development Authority Act CAP 448 and 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. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018**

<b>Standard</b>	<b>Impact</b>
<b>IPSAS 39:</b> Employee Benefits	<b>Applicable: 1<sup>st</sup> January 2018</b> The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)**

- ii. **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017**

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019:</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non exchange transactions which are covered purely under Public Sector combinations as amalgamations.

- iii. **Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2018.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

**Fees, taxes and fines**

The entity recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

**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 entity and can be measured reliably.

**ii) Revenue from exchange transactions**

**Rendering of services**

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

**Sale of goods**

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

**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.

**Dividends**

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established.

**Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

**b) Budget information**

The original budget for FY 2017-2018 was approved by the National Assembly on 23<sup>rd</sup> June 2017. 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 entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of Kshs. 45m on the 2017-2018 budget following the governing body's approval.

The entity'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

**Ewaso Ng'iro North River Development Authority**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

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the approved budget, is then presented in the statement of comparison of budget and actual amounts.

## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section XV of these financial statements.

### **c) Taxes**

#### **Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### **Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**Sales tax**

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**d) Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use.

**e) Property, plant and equipment**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

**f) Leases**

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

**g) 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.

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The useful life of the intangible assets is assessed as either finite or indefinite.

## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### **i) Research and development costs**

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

### **h) Financial instruments**

#### **Financial assets**

##### **Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

##### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

##### **Held-to-maturity**

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Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

**Impairment of financial assets**

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or a entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more

events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

**h) Financial instruments (Continued)**

**Financial liabilities**

**Initial recognition and measurement**

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

**Loans and borrowing**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### **i) Inventories**

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

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

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

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

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

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

### **j) 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.

### **Contingent liabilities**

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The Entity 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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Contingent assets**

The Entity 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 Entity 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.

**k) Nature and purpose of reserves**

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

**l) Changes in accounting policies and estimates**

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

**m) Retirement benefit plans**

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are postemployment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

**Employee benefits (Continued)**

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**n) Foreign currency transactions**

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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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**o) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further, borrowing costs are charged to the statement of financial performance.

**p) Related parties**

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

**q) Service concession arrangements**

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

**r) 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.

**s) Comparative figures**

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

**t) Subsequent events**

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

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

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity 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 Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

**Useful lives and residual values**

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

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

**Provisions**

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.

**NOTES TO THE FINANCIAL STATEMENT CONTINUED**

		<b>2017-2018</b>	<b>2016-2017</b>
		<b>Kshs</b>	<b>Kshs</b>
<b>1</b>	<b>Grant From National Government</b>		
	Recurrent Government Grant	254,722,674	118,879,280
	Development Government Grant	78,500,000	125,000,000
		<b>333,222,674</b>	<b>243,879,280</b>
<b>2</b>	<b>Revenue From Exchange Transactions</b>		
	Appropriation in Aid (AIA)	4,868,000	11,196,893
<b>3</b>	<b>Staff Cost</b>		
	Basic Salaries	77,293,912	73,213,781
	Hardship Allowance	18,379,000	18,093,900
	House Allowance	11,855,300	11,661,800
	Medical Allowance	7,137,600	6,985,700
	Commuter Allowance	8,354,858	8,247,000
	Other Personal Allowance	3,332,474	2,965,293
	Casual Wages	9,006,109	8,392,070
	Gratuity and Pension	8,366,316	7,732,328
		<b>143,725,569</b>	<b>137,291,872</b>
<b>4</b>	<b>Administration Expenses</b>		
	Medical Exgratia	45,000	82,500
	Medical Scheme	5,683,451	
	Travelling & Office Operation	7,751,558	
	Transport Operations	1,717,692	
	Training And Seminar	94,625	
	Internet And Postal	191,942	
	Electricity Water Conservancy	349,828	
	Advertising And Publicity	1,167,464	
	Rent And Rates	510,000	
	Legal Fee	7,894,761	
	Bank Charges	525,587	253,752
		<b>25,931,908</b>	<b>336,252</b>

<b>5</b>	<b>Board Expenses</b>		
	Board allowances	3,534,434	7,062,266
	Chairman Honoraria	960,000	960,000
		<b>4,494,434</b>	<b>8,022,266</b>
<b>6</b>	<b>Depreciation</b>		
	Building	3,584,990	3,676,913
	Plant and Machinery	14,812,895	16,929,023
	Motor Vehicles	9,166,424	12,221,899
	Computers	126,703	181,005
	Furniture and Fittings	1,732,395	1,979,880
	<b>TOTAL</b>	<b>29,423,407</b>	<b>34,988,720</b>
<b>7</b>	<b>Development</b>		
	Gum Arabic And Gum Resins Integrated	22,466,233	5,891,750
	Catchment Conservation and Construction of	4,187,212	57,951,047
	Drought mitigation	27,125,627	40,395,091
	General Administration, Planning and Support		72,126,641
	ENNDA Integrated water, drought and food	19,539,204	
	Northern Kenya Integrated Camel Development	8,222,105	
	<b>Total</b>	<b>81,540,381</b>	<b>176,364,529</b>
<b>8</b>	<b>Audit Fees Provision</b>	232,000	232,000

<b>9</b>	<b>Bank Balances</b>		<b>2017-2018</b>	2016-2017
			<b>Kshs</b>	<b>Kshs</b>
	Savings Account-BBK Meru	0133548742	623	628
	Current Account - Consolidated Isiolo	101112000052	23,931,949	1,476,989
	Kenya Commercial Bank- Garissa office (Saving)	1107430755	88,407	88,407
	KKV Current Account -BBK Isiolo	421014515		6,266
	ENNDA ERPA Current Account - BBK	2021931066	-	394,139
	ENNDA Enterprise Scheme-KCB	1142316661	239,769	
	<b>Regional Account Bank Balances</b>			

KCB- Marsabit Regional Office	1107853524	-	1,711
BBK-Nanyuki Regional Office	308146138	-	7,324
KCB -Garissa Regional Office	1108065856	1,405	11,050
KCB- Wajir Regional office	118309674	-	4,179
BCB- Archers Post	1123764859	2,247	4,962
KCB- Madera Regional	11458660818	6,050	8,435
Isiolo Regional	101112000000100	3,401	8,373
		<b>24,273,850</b>	<b>2,012,463</b>

<b>10</b>	<b>Inventory</b>		<b>2017-2018</b>	2016-2017
			<b>Kshs</b>	<b>Kshs</b>
				13,250
	Garissa Office- 2500 Bricks		125,000	125,000
			<b>125,000</b>	<b>138,250</b>
<b>11</b>	<b>Biological Assets</b>			
			<b>2017-2018</b>	2016-2017
	Livestock		<b>Kshs</b>	<b>Kshs</b>
	Male (Bulls)	(25@110,000/-)	2,750,000	829,500
	Male (Steers)	(7@40,000/-)	280,000	-
	Female	(52@90,000/-)	4,680,000	95,000
	Female Calves	(22@30,000/-)	660,000	140,000
			<b>8,370,000</b>	<b>1,064,500</b>
<b>12</b>	<b>Trade Creditors and Other</b>		<b>2017-2018</b>	2016-2017
			<b>Kshs</b>	<b>Kshs</b>
	Sundry Creditors		343,004,876	343,004,876
	Amount paid		(67,795,268)	
			7,791,899	
	Audit Fees		232,000	
	<b>TOTAL</b>		<b>283,233,509</b>	<b>343,004,876</b>

<b>13</b>	<b>Bank Overdraft</b>		<b>2017-2018</b>	<b>2016-2017</b>
			<b>Kshs</b>	<b>Kshs</b>
	KKV Current Account -BBK Isiolo	421014515	(10,449)	
	Current Account- BBK Meru	2003165		(313)
	Current Account- KCB Isiolo			(156,983)
			<b>(10,449)</b>	<b>(157,296)</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 Property, plant and equipment

Non-current assets	Building	Plant and Machinery	Motor vehicles	Computers	Furniture, Fittings & Equip	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
1 July 2012 –GOK	17,952,694	290,893,246	215,529,735	4,076,000	24,540,139	552,991,814
Additions & W.I.P-GOK	142,004,000	-	-	-	3,880,000	145,884,000
Disposals-GOK			(10,099,896)			(10,099,896)
	<b>159,956,694</b>	<b>290,893,246</b>	<b>205,429,839</b>	<b>4,076,000</b>	<b>28,420,139</b>	<b>688,775,918</b>
Cost ENNRCP						
1-Jul-12	-	-	29,284,427	3,730,000	21,754,896	54,769,323
Additions-ENNRCP	-	-	-	-	-	-
	-	-	29,284,427	3,730,000	21,754,896	54,769,323
<b>TOTAL VALUE</b>	<b>159,956,694</b>	<b>290,893,246</b>	<b>234,714,266</b>	<b>7,806,000</b>	<b>50,175,035</b>	<b>743,545,241</b>

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Non- current assets	Building		Plant and Machinery		Motor vehicles		Computers		Furniture, Fittings & Equip		Total	
		Kshs.		Kshs.		Kshs.		Kshs.		Kshs.		Kshs.
<b>ACC. DEPRECIATION</b>												
1 July 2013 -GOK		4,915,163		88,732,090		112,338,882		2,936,878		16,660,775		225,583,788
Charge for year- GOK		325,938		25,270,144		25,797,713		341,737		984,920		52,720,453
30-Jun-14		5,241,101		114,002,234		138,136,595		3,278,615		17,645,695		278,304,241
<b>ACC. DEPRECIATION</b>												
30 June 2013- ENNNRCP		-		-		25,228,030		3,110,089		10,425,434		38,763,553
Charge for year- ENNNRCP		-		-		1,014,099		185,973		1,416,183		2,616,255
<b>TOTAL CUMM-2014</b>		-		-		26,242,129		3,296,062		11,841,617		41,379,808
Total charge for the year		325,938		25,270,144		26,811,812		527,710		2,401,103		55,336,707
<b>TOTAL ACC. DEPRECIATION</b>		5,241,101		114,002,234		164,378,724		6,574,677		29,487,312		319,684,048
<b>N.B.V AT 30TH JUNE 2014-GOK</b>		154,715,593		176,891,012		67,293,244		797,385		10,774,444		410,471,678

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Non- current assets	Building	Plant and Machinery	Motor vehicles	Computers	Furniture, Fittings & Equip	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
<b>Cost</b>						
<b>N.B.V AT 30TH JUNE 2014- ENNNRCP</b>	-	-	3,042,298	433,938	9,913,279	13,389,515
<b>N.B.V AT 30TH JUNE 2014-TOTAL</b>	154,715,593	176,891,012	70,335,542	1,231,323	20,687,723	423,861,193
<b>ACC. DEPRECIATION</b>						
1 July 2014 –GOK	5,241,101	114,002,234	138,136,595	3,278,615	17,645,695	278,304,241
Charge for year- GOK	3,867,890	22,111,377	14,336,951	239,216	1,346,806	41,902,238
Disposal depreciation	-	-	(9,945,442)	-	-	(9,945,442)
30-Jun-15	9,108,991	136,113,611	142,528,104	3,517,831	18,992,501	310,261,036
<b>ACC. DEPRECIATION</b>						
1 July 2014 –ENNNRCP	-	-	26,242,129	3,296,062	11,841,617	41,379,808
Charge for year- ENNNRCP	-	-	760,575	130,181	1,239,160	2,129,916
<b>TOTAL ACCUM DEP 2015</b>	-	-	27,002,704	3,426,243	13,080,777	43,509,724

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Non-current assets	Building		Plant and Machinery		Motor vehicles		Computers		Furniture, Fittings & Equip		Total	
		Kshs.		Kshs.		Kshs.		Kshs.		Kshs.		Kshs.
Cost												
Total charge for the year-June 2015		3,867,890		22,111,377		15,097,525		369,397		2,585,965		44,032,154
<b>TOTAL ACC. DEPRECIATION</b>		9,108,991		136,113,611		169,530,807		6,944,074		32,073,277		353,770,760
<b>N.B.V AT 30TH JUNE 2015-GOK</b>		150,847,703		154,779,636		62,901,736		558,170		9,427,639		378,514,882
<b>N.B.V AT 30TH JUNE 2015-ENNNRCP</b>		-		-		2,281,724		303,757		8,674,119		11,259,599
<b>N.B.V AT 30TH JUNE 2015-TOTAL</b>		150,847,703		154,779,636		65,183,459		861,926		18,101,759		389,774,481
<b>ACC. DEPRECIATION</b>												
<b>1 July 2015 -GOK</b>		9,108,991		136,113,611		199,019,871		10,240,136		43,914,894		398,397,502
Charge for year- GOK		3,771,193		19,347,455		15,725,434		167,451		1,178,455		40,189,987
Disposal depreciation		-		-		-		-		-		-

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Non-current assets	Building	Plant and Machinery	Motor vehicles	Computers	Furniture, Fittings & Equip	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Cost						
30-Jun-16	12,880,183	155,461,065	214,745,305	10,407,587	45,093,349	438,587,489
<b>ACC. DEPRECIATION</b>						
1 July 2015 -ENNNRCP	-	-	27,002,704	3,426,243	13,080,777	43,509,724
Charge for year- ENNNRCP	-	-	570,431	91,127	1,084,265	1,745,823
30-Jun-16	-	-	27,573,134	3,517,370	14,165,042	45,255,547
Total charge for the year-June 2016	3,771,193	19,347,455	16,295,865	258,578	2,262,720	41,935,810
<b>TOTAL ACC. DEPRECIATION</b>	<b>12,880,183</b>	<b>155,461,065</b>	<b>242,318,439</b>	<b>13,924,957</b>	<b>59,258,391</b>	<b>483,843,036</b>
<b>N.B.V AT 30TH JUNE 2016-GOK</b>	<b>147,076,510</b>	<b>135,432,182</b>	<b>47,176,302</b>	<b>390,719</b>	<b>8,249,184</b>	<b>338,324,897</b>
<b>N.B.V AT 30TH JUNE 2016-ENNNRCP</b>	<b>-</b>	<b>-</b>	<b>1,711,293</b>	<b>212,630</b>	<b>7,589,854</b>	<b>9,513,776</b>
<b>N.B.V AT 30TH JUNE 2016-TOTAL</b>	<b>147,076,510</b>	<b>135,432,182</b>	<b>48,887,595</b>	<b>603,349</b>	<b>15,839,038</b>	<b>347,838,671</b>

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Non-current assets	Building	Plant and Machinery	Motor vehicles	Computers	Furniture, Fittings & Equip	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
<b>ACC. DEPRECIATION</b>						
1 July 2016-GOK	12,880,183	155,461,065	214,745,305	10,407,587	45,093,349	438,587,489
Charge for year- GOK	3,676,913	16,929,023	11,794,076	117,216	1,031,148	33,548,375
Disposal depreciation	-	-	-	-	-	-
30-Jun-16	16,557,096	172,390,088	226,539,381	10,524,803	46,124,497	472,135,864
<b>ACC. DEPRECIATION</b>						
1 July 2016 -ENNNRCP	-	-	27,430,527	3,490,032	14,029,509	44,950,068
Charge for year- ENNNRCP	-	-	427,823	63,789	948,732	1,440,344
30-Jun-17	-	-	27,858,350	3,553,821	14,978,240	46,390,411
Total charge for the year-June 2017	3,676,913	16,929,023	12,221,899	181,005	1,979,880	34,988,718

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Non-current assets	Building	Plant and Machinery	Motor vehicles	Computers	Furniture, Fittings & Equip	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Cost						
<b>TOTAL ACC. DEPRECIATION</b>	<b>16,557,096</b>	<b>172,390,088</b>	<b>254,397,730</b>	<b>14,078,624</b>	<b>61,102,737</b>	<b>518,526,275</b>
N.B.V AT 30TH JUNE 2017-GOK	143,399,598	118,503,159	35,382,227	273,503	7,218,036	304,776,522
N.B.V AT 30TH JUNE 2017-ENNNRCP	-	-	1,283,469	148,841	6,641,122	8,073,433
<b>N.B.V AT 30TH JUNE 2017-TOTAL</b>	<b>143,399,598</b>	<b>118,503,159</b>	<b>36,665,696</b>	<b>422,344</b>	<b>13,859,159</b>	<b>312,849,955</b>
<b>ACC. DEPRECIATION</b>						
<b>1 July 2017-GOK</b>	<b>143,399,598</b>	<b>118,503,159</b>	<b>35,382,227</b>	<b>273,503</b>	<b>7,218,036</b>	<b>304,776,522</b>
Charge for year- GOK	3,584,990	14,812,895	8,845,557	82,051	902,255	28,227,747
Disposal depreciation						
30-Jun-17						
<b>ACC. DEPRECIATION</b>	<b>20,142,086</b>	<b>187,202,983</b>	<b>235,384,937</b>	<b>10,606,854</b>	<b>47,026,751</b>	<b>500,363,611</b>
<b>1 July 2017 -ENNNRCP</b>	<b>-</b>	<b>-</b>	<b>1,283,469</b>	<b>148,841</b>	<b>6,641,122</b>	<b>8,073,433</b>

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Non- current assets	Building	Plant and Machinery	Motor vehicles	Computers	Furniture, Fittings & Equip	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Cost						
Charge for year- ENNNRCP	-	-	320,867	44,652	830,140	1,195,660
30-Jun-17	-	-	28,179,217	3,598,473	15,808,381	47,586,071
Total charge for the year-June 2018	3,584,990	14,812,895	9,166,424	126,703	1,732,395	29,423,407
<b>TOTAL ACC. DEPRECIATION</b>	20,142,086	187,202,983	263,564,154	14,205,327	62,835,132	547,949,682
<b>N.B.V AT 30TH JUNE 2018-GOK</b>	<b>139,814,608</b>	<b>103,690,264</b>	<b>26,536,670</b>	<b>191,452</b>	<b>6,315,782</b>	<b>276,548,775</b>
<b>N.B.V AT 30TH JUNE 2018-ENNNRCP</b>	<b>-</b>	<b>-</b>	<b>962,602</b>	<b>104,189</b>	<b>5,810,982</b>	<b>6,877,773</b>
<b>N.B.V AT 30TH JUNE 2018-TOTAL</b>	<b>139,814,608</b>	<b>103,690,264</b>	<b>27,499,272</b>	<b>295,641</b>	<b>12,126,764</b>	<b>283,426,548</b>

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## **15. FINANCIAL RISK MANAGEMENT**

The Authority's activities expose it to a variety of financial risks including credit and liquidity risks. The Authority's overall risk management policies are set out by the Board of Directors (BoD) and implemented by the Management and focus on the unpredictability of changes in Authority's environment and seek to minimise the potential adverse effects of such risks on the Authority's performance by setting acceptable levels of risk. The Authority's does not hedge any risks.

The Authority's financial risk management objectives and policies are detailed below:

### **(i) Credit risk**

The Authority 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 financial assets, and is managed on an Authority-wide basis. The Authority does not grade the credit quality of financial assets that are neither past due nor impaired.

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 Authority's management based on prior experience and their assessment of the current economic environment.

### **(ii) Liquidity risk management**

Liquidity risk is the risk that the Authority will encounter difficulty in meeting obligations associated with financial liabilities. The Board has developed a risk management framework for the management of the Authority's short, medium and long-term liquidity requirements thereby ensuring that all financial liabilities are settled as they fall due.

The Authority manages liquidity risk by ensuring that all contracts and goods purchased are depended on the actual funds available before any commitment can be done. This ensures that liabilities on services and goods supplied will be settled promptly when they fall due.

### **(iii) Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by the Authority 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 Authority'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 Authority's Finance Department 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.

There has been no change to the Authority's exposure to market risks or the manner in which it manages and measures the risk.

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a) Foreign currency risk

The Authority's has 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.

b) Interest rate risk

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

*Management of interest rate risk*

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

*Sensitivity analysis*

The Authority's analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. 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.

#### **iv. Operational Risk Management**

Operational risk is the risk of indirect loss arising from a wide variety of causes associated with the corporation's processes, personnel, technology and infrastructure, external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The corporation's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the corporation's reputation with overall cost effectiveness and to avoid any control procedures that restrict initiative and creativity in the corporation.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management in the corporation's departments. This responsibility is supported by the development of overall corporation standards for the management of operational risks in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation and approval of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced by the Authority, and the adequacy of controls and procedures to address the risks identified;

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- Requirements for the reporting of operational losses and implementation of the proposed remedial solutions and actions;
- Development of contingency plans;
- Training and professional development for its staff;
- Adherence to ethical and business standards; and
- Review of compliance with corporation standards is reviewed on an ongoing basis by senior management and the internal audit department.

**iv) Capital Risk Management**

The corporation's objectives when managing capital are:

- To match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- To maintain financial strength to support business growth; and
- To safeguard the corporation's ability to continue as a going concern so that it can continue to carry out its mandate and provide requisite benefits the communities and all other relevant stakeholders.

The Authority has a number of sources of capital available to it and seeks to optimise its debt to equity structure in order to ensure that it can consistently maximise returns to Government. Capital adequacy is monitored regularly by the corporation's management and quarterly by the Board of Directors.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**16. Related Party Balances**

**a) Nature of related party relationships**

Entities and other parties related to the Authority 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.

The entity is related to

- i) The National Government;
- ii) The Ministry of devolution;
- iii) Key management;
- iv) Board of directors;

**b) Related party transactions**

Transactions with related parties	2018	2017
	Kshs.	Kshs
<b>a) Receipts from Ministry of Devolution</b>	333,222,674	243,879,280
<b>b) Key Management composition</b>		
Directors Emoluments	788,604	960,000
Composition to the CEO	4,920,000	4,920,000
Composition to key Management	23,136,852	22,205,724
<b>Total</b>	<b>28,845,456</b>	<b>28,085,724</b>

**17 EVENTS AFTER THE REPORTING PERIOD**

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

**18 ULTIMATE AND HOLDING ENTITY**

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Ministry of Devolution. Its ultimate parent is the Government of Kenya.

**19 Currency**

The financial statements are presented in Kenya Shillings (Kshs).

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**APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

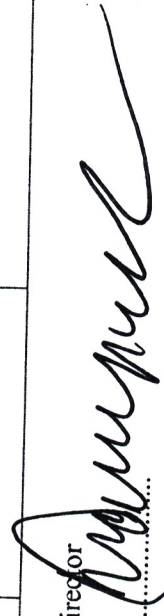
	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
2016-2017	Property, Plant & Equipment	No ownership for the land	Managing Director	Not Resolved Process of issuance of the title deed going on with the National and Isiolo County government	End of financial year 2018-2019
2016-2017	Going Concern	The Authority has long outstanding creditors.	Managing Director	Not Resolved Awaiting release of funds from the government to pay the creditors.	Request done to the National Treasury.
2016-2017	Trade Creditors and other payables	The Authority has long outstanding creditors	Managing Director	Not Resolved Awaiting disbursement of funds from the National Treasury to clear the pending bills.	Request done to the National Treasury.
2016-2017	Compensation of employees	The Authority staff cost	Human Resource Manager	Not Resolved The Authority is intending to deploy staff to the Gums and	End of 2018-2019

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	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2016-2017	Staff Establishment	Lack of approved staff establishment	Human Resource Manager	Resins factory once it is operational.	End of 2018-2019
2016-2017	Adherence to Regulations	Compliance to a third rule	Human Resource Manager	Not Resolved Awaiting board approval	End of 2018-2019
2016-2017	Adherence to Regulations	Failure to adhere to Ethnicity rule	Human Resource Manager	Not Resolved Working on modalities to extend repayment period have been written to.	End of 2018-2019
2016-2017	Budgetary control and performance	Failure to adhere to approved budget	Head of Finance	Not Resolved Since the promulgation of the constitution the Authority is continuing to adhere to the regulation. Resolved Will ensure the budget is adhered to	End of 2018-2019

Managing Director

Date.....



Chairman of the Board

Date.....



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**Appendix II: PROJECTS IMPLEMENTED BY THE ENTITY**

**Status of Projects completion**

(Summarise the status of project completion at the end of each quarter, i.e. total costs incurred, stage which the project is etc)

	<b>Total project Cost</b>	<b>Total expended to date</b>	<b>Completion % to date</b>	<b>Budget</b>	<b>Actual</b>	<b>Sources of funds</b>
1	Catchment Conservation and Construction of Small Integrated Water Storage and Irrigation Schemes		100		4,187,212	Gok
2	Gum Arabic And Gum Resins Integrated Development	22,500,000	100	22,500,000	22,466,233	Gok
3	Drought Mitigation Programme	28,000,000	100	28,000,000	27,125,627	Gok
4	ENNDA Integrated water, drought and food security programme	20,000,000	100	20,000,000	19,539,204	Gok
5	Northern Kenya Intergrated Camel Development programme	8,000,000	100	8,222,105	8,222,105	Gok

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**APPENDIX IV: INTER-ENTITY TRANSFERS**

ENTITY NAME		Ewaso Ng'iro NORTH Development Authority		
<b>Breakdown of transfers from the state department for Planning</b>				
	<b>FY 17/18</b>			
<b>a.</b>	<b>Recurrent Grants</b>			
		<b>Bank statement Date</b>	<b>Amount (Kshs)</b>	<b>Related Financial Year</b>
	State department for planning	4/7/2017	50,000,000	2016/2017
	State department for planning	17/8/2017	39,469,820	2017/2018
	State department for planning	30/11/2017	39,469,820	2017/2018
	State department for planning	8/2/2018	39,469,820	2017/2018
	State department for planning	30/4/2018	13,156,607	2017/2018
	State department for planning	31/5/2018	13,156,607	2017/2018
	State department for planning	25/6/2018	20,500,000	2017/2018
	State department for planning	28/6/2018	39,500,000	2017/2018
	<b>Total</b>		<b>254,722,674</b>	
<b>b.</b>	<b>Development Grants</b>			
		<b>Bank statement Date</b>	<b>Amount (Kshs)</b>	<b>Related Financial Year</b>
	State department for planning	3/7/2017	28,000,000	2016/2017
	State department for planning	19/4/2018	50,500,000	2017/2018
	<b>Total</b>		<b>78,500,000.00</b>	

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**APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Ewaso Ng'iro North Development Authority	Date Received as per bank statement	Nature: Recurrent/ Development/ Others	Amount(kshs)	Statement of financial performance	Capital Fund	Deferred Income	Receivables	Others	Total Transfers during the year
State department for planning	4/7/2017	Recurrent	50,000,000	50,000,000					50,000,000
State department for planning	17/8/2017	Recurrent	39,469,820	39,469,820					39,469,820
State department for planning	30/11/2017	Recurrent	39,469,820	39,469,820					39,469,820
State department for planning	8/2/2018	Recurrent	39,469,820	39,469,820					39,469,820
State department for planning	30/4/2018	Recurrent	13,156,607	13,156,607					13,156,607
State department for planning	31/5/2018	Recurrent	13,156,607	13,156,607					13,156,607
State department for planning	25/6/2018	Recurrent	20,500,000	20,500,000					20,500,000
State department for planning	28/6/2018	Recurrent	39,500,000	39,500,000					39,500,000
State department for planning	3/7/2017	Drought Mitigation	28,000,000	28,000,000					28,000,000
State department for planning	19/4/2018	Development	50,500,000	50,500,000					50,500,000
<b>Total</b>			<b>333,222,674</b>	<b>333,222,674</b>					<b>333,222,674</b>