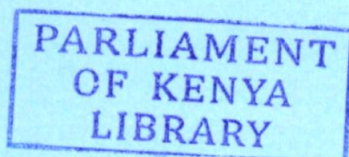


REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE



REPORT

OF

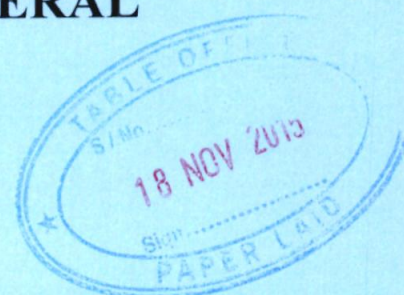
THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
EWASO NG'IRO SOUTH RIVER BASIN
DEVELOPMENT AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE 2014**

*Paper Laid
By Hon. K.O. Methu
(Majority Party MP)
on Wed. 18-11-15 (pm)
Mw*





REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON EWASO NG'IRO SOUTH RIVER BASIN DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Ewaso Ng'iro South River Basin Development Authority set out on pages 13 to 36, which comprise statement of financial position as at 30 June 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

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

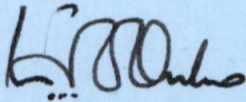
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as at 30 June, 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis), and comply with the Ewaso Ng'iro South River Basin Development Authority Act, Cap 447 of the Laws of Kenya



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

NAIROBI

10 September 2015



EWASO NGIRO SOUTH RIVER BASIN DEVELOPMENT AUTHORITY

PROJECT FINANCIAL REPORT FOR THE PERIOD ENDED 31ST DECEMBER, 2013

**PROJECT NAME: COMMUNITY BASED INTEGRATED FOREST
RESOURCE CONSERVATION AND MANAGEMENT PROJECT –
MAASAI MAU FOREST (COMIFORM II)**

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

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DECEMBER,20134

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BACKGROUND INFORMATION

PROJECT NAME:COMMUNITY BASED INTEGRATED FOREST RESOURCE CONSERVATION AND MANAGEMENT PROJECT- MAASAI MAU FOREST (COMIFORM -2)

PROJECT NO:SSFA/2011/DEPI/CCATEB-Mau/ 004

IMPLEMEMNTING AGENCY:EWASONGIRO SOUTH RIVER BASIN DEVELOPMENT AUTHORITY

OFF NAROK-BOMET ROAD,

P.O BOX 213-20500

NAROK

PROJECT ACCOUNT: MAASAI MAU COMIFORM ACOOUNT – 01003042125600

NATIONAL BANK OF KENYA, NAROK BRANCH

PROJECT MANAGEMENT UNIT

<u>NAME</u>	<u>DESIGNATION</u>
PETER KINYANJUI	PROJECT OFFICER/COORDINATOR
JOEL MWATO	PROJECT ACCOUNTANT

PROJECT BACKGROUND

The environmental degradation in Kenya has resulted to the decline of the capability of the natural resource base to support the ever growing population and economic development.

Over the last 30 years, the indigenous closed forest of Kenya has been under an ever growing pressure to meet the resource demands, and the closed-canopy forest cover of Kenya has dropped to less than 2%.

In an attempt to address the problem of forest degradation, ENSRBDA in collaboration with other partners have been involved in an Integrated Forest Resource Conservation and Management project for the Maasai Mau forest, one of the twenty two blocks of the entire Mau Complex Forest. The phase two of the project, funded by the Spanish Government through United Nations Environment Programme (UNEP) is titled ***Community Based Integrated Forest Resource Conservation and Management Project -2 (COMIFORM-2)***.

The second and Third tranche of the funds were meant to;

- Provide capital contribution for micro credit for community business cooperatives- Financial Institution to fund SMEs for cooperatives.
- Conduct 2 trainings on alternative livelihoods, business development and monitoring and evaluation for 40 members of the community business cooperatives.
- Conduct training on 2 appropriate technologies (farm management and water harvesting at Baraka College) with community business cooperatives.
- Establish bamboo propagation nurseries to raise 50,000 seedlings and planting bamboo and other native trees along 20 kilometers of riverine at exit from Maasai Mau forest.
- Support to the establishment of Mau forest information resource centre at ENSDA which will act as a repository for materials, publications, posters etc on Mau Forest

These activities were well implemented and the objectives of the project met. This report provides the details on the application of the funds and has been prepared in accordance to the International accounting standards.

PROJECT OBJECTIVES

The objective of the COMIFORM project is the conservation of the Maasai Mau Forest for ***“a shift from unsustainable development, based on shortterm financial benefits derived from forest clearing, to sustainable development supported by gazetted forest conservation, payment forecosystem services and alternative livelihoods on private and public land”***.

STATEMENT OF ACCOUNTING OFFICER AND PROJECT COORDINATOR'S RESPONSIBILITIES

The Managing Director Ewaso Ng'iro South River Basin Development Authority and the Project officer are responsible for preparing the projects financial statements, which give a true and fair view of the state of affairs of the project as at the end of the accounting period. This responsibilities include: maintaining adequate financial management arrangements and ensuring that this continues to be effective throughout the reporting period; maintaining proper accounting , which disclose with reasonable accuracy at any time the financial position of the project; 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, selecting and applying appropriate accounting policies; and making accounting estimates are reasonable in the circumstances.

The Managing Director and the Project officer accept responsibility for the projects financial statements, which have been prepared on the Cash Basis method of Financial Reporting, using appropriate accounting policies in accordance with the International Public Sector Accounting Standards (IPSAS).

The Managing Director and Project officer are of the opinion that the financial statement gives a true and fair view of the state of the projects financial position as at 31st December, 2013. The Accounting officer and the Project officer further confirm the completeness of the accounting records maintained for the which have been relied upon on the preparation of Financial Statements as well as on the adequacy of the inter control systems.

The Managing Director and the Project officer confirm that the Project has complied fully with the terms and conditions of the Financial Covenants in accordance with the Legal Agreement and the applicable Government Regulations, and that the project funds received during the period under audit were used for eligible purposes which they were intended and were properly accounted.

MANAGING DIRECTOR: CHARLES SUNKULI  DATE ...12/15/15

PROJECT ACCOUNTANT: JOELMWATO..... DATE...12/08/2015

PROJECT COORDINATOR: PETER KINYANJUI  DATE: 12/8/2015

**STATEMENT OF RECEIPTS & PAYMENTS FOR THE PERIOD ENDED
31ST DECEMBER, 2013**

	2013	2012
	KSHS.	KSHS.
Receipts		
Balance B/F	416,447.40	(901.65)
Transfer from Development	376,400.00	224,315
JNEP Grant	11,241,116.90	4,833,630
Total Receipts	12,033,964.30	5,057,043.35
Payments		
Meetings with Business groups to assess progress of initiated activities	370,000	0.00
Capital contribution for micro credit for community business co-operatives	3,589,661	0.00
Community sensitization on river bank protection	0.00	167,920
Trainings on alternative livelihoods, business development for co-operatives	517,500	334,920
Establishment and marketing a pilot home ecotourism facility	170,450	45,120
Training for water resource users associations on water governance	0.00	485,000
Opportunity assessment and funding guidelines for business cooperatives	0.00	199,520
Trainings on 3 appropriate technologies (bee keeping, farm management & water harvesting)	610,600	449,150
Developing a pilot ecotourism project proposal	172,000	0.00
Establishment of Bamboo propagation Nurseries	1,223,050	421,730
Plant bamboo and other native trees along 20 kilometers of riverine at exit from Maasai Mau forest	1,197,988	0.00
Establishment of Mau forest information resource centre at ENSDA	338,082	0.00
Travelling (Per diems)	225,410	88,500
Monitoring and Evaluation	495,000	0.00
Operations and maintenance	1,201,540	244,000
Personnel Component	1,903,107	1,968,861
Refund to UNEP	0.00	229,374.95
Bank Charges	18,090	6,500
Total payments	12,032,478	4,640,595.95
Balance C/F	1,486.30	416,447.40

Note: The amount of Ksh. 1,486.30 has not been expensed as at the close of the COMIFORM II project and should therefore be refunded back to UNEP as per contract agreement.

MANAGING DIRECTOR: CHARLES SUNKULI DATE 12/08/15

PROJECT ACCOUNTANT: JOEL MWATO DATE 12/08/2015

PROJECT COORDINATOR: PETER KINYANJUI DATE 12/08/2015

STATEMENT OF ASSETS FOR THE YEAR ENDED 31ST DECEMBER 2013

	Note	2013 Kshs	2012 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	1	1,486.40	416,447.40
Cash Balances		-	-
TOTAL FINANCIAL ASSETS		<u>1,486.40</u>	<u>416,447.40</u>

REPRESENTED BY

Balance c/f (refund to UNEP)		1,486.40	416,447.40
NET FINANCIAL POSITION		<u>1,486.40</u>	<u>416,447.40</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The project financial statements were approved on _____

MANAGING DIRECTOR: CHARLES SUNKULI DATE ...12.18.15

PROJECT ACCOUNTANT: JOEL MWATO DATE ...12/08/2015

PROJECT COORDINATOR: PETER KINYANJUI DATE ...12/8/2015

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:-

a) Basis of Preparation

The financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) with particular emphasis on cash Basis Financial reporting under the Cash basis

b) Cash Basis Accounting

The cash basis accounting recognizes transactions and events only when cash (including cash equivalents) is received or paid by the entity. Cash equivalents are defined as short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

c) Foreign Currency Transactions

Cash receipts and payments arising from transactions in a foreign currency are recorded in the financial statements using the prevailing rate of exchange as at time of advancement.

2. BUDGET

The budget is developed on the same accounting basis (cash basis), same classification basis, and for the same period as for the financial statements i.e from January, 2010 to December, 2010 and approved as required by the project document.

3. EXPENDABLE EQUIPMENT

Equipments costing less than US \$ 1,500 are expensed and those costing more as well as items of attraction such as laptops, computers purchased with UNEP funds will be recorded in an inventory and submitted to UNEP.