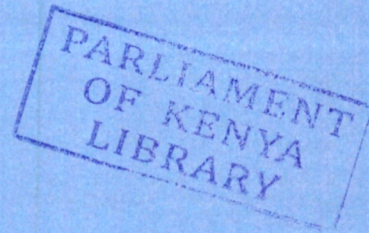


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
NATIONAL DROUGHT MANAGEMENT
AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE 2015**

NATIONAL DROUGHT MANAGEMENT AUTHORITY DRAFT FINANCIAL STATEMENTS
AND ANNUAL REPORT FOR THE YEAR ENDED 30TH JUNE 2015



NATIONAL DROUGHT MANAGEMENT AUTHORITY

DRAFT ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2015

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

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I. KEY AUTHORITY INFORMATION AND MANAGEMENT

(a) Background information

The National Drought Management Authority was formed on 24th November 2011 under the State Corporations Act (Cap 446) by legal notice no.171. The Authority is represented by the Cabinet Secretary for Ministry of Planning and Devolution, who is responsible for the general policy and strategic direction of the Authority.

(b) Principal Activities

Our Vision

To be a world class Authority in drought management and climate change adaptation.

Our Mission

To provide leadership and co-ordination of Kenya's management of drought risks and adaptation to climate change.

Our Core Values

- Committed to results
- Integrity and accountability
- Responsive to the needs of vulnerable groups
- Empowering and participatory approach
- Transformative innovation
- Respect for Diversity

II. OUR MANDATE

The Authority derives its mandate from Legal Notice No.171 of November 24, 2011, which states that: *"The Authority shall, either on its own or in association with other authorities or persons, establish mechanisms to ensure that drought does not become famine and the impacts of climate change are sufficiently mitigated"*

III. OUR OBJECTIVES

In pursuit of the vision, and in line with the mission, the Authority focuses on the following long-term objectives:

- To reduce drought vulnerability and enhance adaptation to climate change
- To provide drought and climate information to facilitate concerted action by relevant stakeholders
- To protect the livelihoods of vulnerable households during drought
- To ensure coordinated action by government and other stakeholders
- To develop and apply knowledge management approaches that generate evidence for decision-making and practice
- To strengthen institutional capacity, though among others attracting, developing and retaining competent staff
- To mobilize adequate financial resources and ensure sound management of the same
- To enhance corporate image

(c) Key Management

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

- The Chief Executive Officer
- Three (3) Directors
- Nine (9) Managers

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2015 and who had direct fiduciary responsibility were:

No. .	Designation	Name
1.	Chief Executive Officer	- Mr James Odour
2.	Director, Resource Mobilization	- Ms Ruth Gathii
3.	Director, Support Services	- Mr Hashim Ali
4.	Director, Technical Services	- Mr Sunya Orre

(e) Fiduciary Oversight Arrangements

The fiduciary oversight arrangements of the Authority are under various committees of the Board whose functions/purposes are as analysed below:

(i) Human Resources Management Committee

The main purpose of this Committee is to ensure that the Authority has sound Human resources strategies which enable it to attract, develop, motivate and retain the right calibre of staff.

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

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

(ii) Finance Committee

The main purpose of this Committee is to ensure that the Authority has sound financial management strategies, policies and systems which promote accountability, prudent use of resources and compliance with statutory and all regulatory requirements.

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

- a) Review the Authority's annual work plans and associated budgets prepared by management and submit them to the board for approval;

NATIONAL DROUGHT MANAGEMENT AUTHORITY DRAFT FINANCIAL STATEMENTS
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- b) Ensure that allocation of resources is aligned to the priority areas identified with the strategic plan;
- c) Review Quarterly financial reports submitted by management and submit the same to the board for discussion and adoption;
- d) Provide general direction in budgeting matters of the Authority;
- e) Advise the Chief Executive Officer and the board on financial management approaches which serve to enhance internal controls in order to improve efficiency, transparency and accountability;
- f) Review major audit issues raised by both the internal and external auditors;
- g) Periodic reviews of adequacy of management procedures with regard to issues relating to risk management control and governance;
- h) Review of special audits/ investigations on any allegations, concerns and complains regarding corruption, lack of accountability and transparency brought to the committee's attention by the Authority's management and present to the board for discussion and direction.

(iii) Audit & Risk Management Committee

This Committee is mandated to ensure that the Authority has sound financial management strategies, policies and systems which promote accountability, prudent use of resources and compliance with statutory and all regulatory requirements.

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

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

(f) Authority Headquarters

National Drought Management Authority
P.O box 53547-00200
Lorho House, 7th, 8th and 17th floors
Standard/ Kimathi Street
Nairobi Kenya

(g) Authority Contacts

Telephone: (020) 2227496
Fax: (020) 2227982
E-mail: info@ndma.go.ke

(h) Authority Bankers

Kenya Commercial Bank
Moi Avenue and KICC Branches
P.O. Box 30081-00100, GPO
Nairobi, Kenya

NIC Bank
Harambee Avenue
P.O.BOX 44599-00100, GPO
Nairobi, Kenya



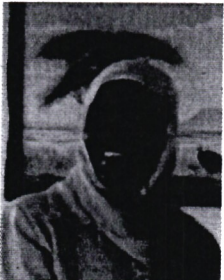


(i) Independent Auditors

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


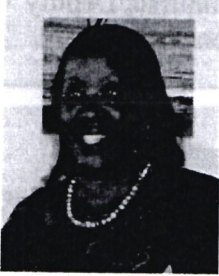
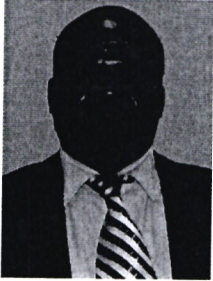
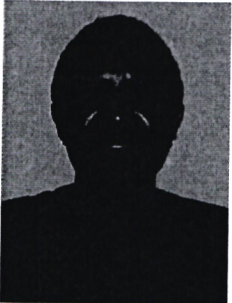
(j) Principal Legal Adviser

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

IV. THE MANAGEMENT BOARD

 <p>Hon. Agnes Ndeti</p>	<ul style="list-style-type: none"> • Chairperson of the Board, • BA in Geography & Sociology from University of Nairobi, • Member of Parliament, Kibwezi constituency, Minister for education, Public accounts committee, Deputy Speaker of the National Assembly.
 <p>Mr James Oduor</p>	<ul style="list-style-type: none"> • Chief Executive Officer and Secretary to the Board • MS Agricultural extension & training. • Bsc. General Agriculture.
 <p>Ms Moza Jadeed</p>	<ul style="list-style-type: none"> • LLM in International legal studies from George Town University Washington DC, • LLB (JD equivalent) from Moi University, • Diploma in legal studies from KSL, • Advocate of the High Court of Kenya • Retired on 01/03/2015
 <p>Mr Peter L. Esimsidele</p>	<ul style="list-style-type: none"> • BA Criminology & Security studies from Egerton University, • Higher Dip. Security & disaster Management, • Ecological technician, • Paramilitary training • Retired on 01/03/2015
 <p>Ms Rosemary N. Parang'iro</p>	<ul style="list-style-type: none"> • Master's degree in International Journalism from Cardiff University, U.K. • Retired on 01/03/2015

NATIONAL DROUGHT MANAGEMENT AUTHORITY DRAFT FINANCIAL STATEMENTS
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 <p>Mr Omar Kassim Abikr</p>	<ul style="list-style-type: none"> • MBA Strategic Management from Moi University, • Higher National Diploma from Kenya Polytechnic • Retired on 01/03/2015
 <p>Amb. Felistus Khayumbi</p>	<ul style="list-style-type: none"> • Board member, representing PS. Devolution
 <p>Mr Kasembeli Nasiuma</p>	<ul style="list-style-type: none"> • Board member, representing PS. National Treasury • MBA- Moi University • Bachelor of social science University of Nairobi • Advanced diploma in Financial Management KCA
<p>Rd. Esther Mungai</p>	<ul style="list-style-type: none"> • PHD- Business Administration- University of Nairobi • MBA – Strategic Management University of Nairobi • BED- Economies and business Kenyatta University <p>Gazetted on 17/04/2015</p>
 <p>Ms Emily Mworira</p>	<ul style="list-style-type: none"> • MBA Global Business Administration - USIU • BA- University of Nairobi • Gazetted on 17/04/2015

NATIONAL DROUGHT MANAGEMENT AUTHORITY DRAFT FINANCIAL STATEMENTS
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Kabatesi Kibisu








- MBA International relations
University of Nairobi
- Gazetted on 17/04/2015








Rashid K. Amin

- MBA strategic Management
- BSC Animal production
- Diploma in Animal Health
- Gazetted on 17/04/2015

V. MANAGEMENT TEAM

 Mr James Oduor	Chief Executive Officer -MSc. Agricultural extension & training. -B.Sc. General Agriculture.
 Ms. Ruth Gathii	Director, Resource Mobilisation and Advocacy -MBA, B.com, Diploma in community based development.
 Mr. Hashim Ali	Director, Support Services -MBA, CPAK, CIA.
 Mr. Sunya Orre	Director, Technical Services -MSc. Range management, BSc .Animal production, Diploma animal husbandry.
 Mr. Yussuf Bagaja	Manager, Finance and Accounts -MBA (Finance option), B.com, CPAK, Diploma in Accountancy, Senior management course.
 Mr. Hussein Bilala	Manager, supply chain -Msc. Supply chain & logistics, Bsc. Business Administration, Advanced diploma-CIPS.
 Mr. Paul Obude	Manager, Policy and planning -Msc. Environmental economics & management, BA in economics.

NATIONAL DROUGHT MANAGEMENT AUTHORITY DRAFT FINANCIAL STATEMENTS
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 Mr. Martin Kiveu	Manager, Internal Audit -Bsc. International Business Administration, CPAK, Diploma in Cooperative Mgt.
 Mr. George Kimunguyi	Manager, ICT -Msc. In IT, Bsc. Applied Statistics, Certificate in Senior Management course, Cert. Public enlightenment using multimedia, mail system & network admin, Cisco Certified.
 Mr. Lucas Lembara	Manager, Contingency Planning and Resilience -MA Environmental planning, Bsc. Agriculture, Cert. Forestry, Cert.EIAA
 Mr. Paul Kimeu	Manager, Drought Resilience -MBA Strategic Management, Msc. Agricultural Engineering, Dip. Agricultural Engineering, Dip. Management of NGOs.
 Mr. Valerian Micheni	Manager, Drought Information -Masters in Project Planning & Management, Bsc. Natural Resources management, Cert. Disaster risk reduction.

VI. CHAIRPERSON'S STATEMENT

The National Drought Management Authority [NDMA] was established under the State Corporations Act (Cap 446) by Legal Notice No. 171 of 24th November 2011. The Legal Notice mandates the NDMA to establish mechanisms which ensure that droughts do not result in emergencies and that the impacts of climate change are sufficiently mitigated.

The creation of the NDMA is thus an illustration of the Government's commitment to have a long term solution to drought and end drought emergencies in Kenya. In this respect, the NDMA spearheaded development of the Ending Drought Emergencies Strategy that was adopted by the Cabinet in 2012 and thereafter facilitated entrenchment of the EDE into the 2nd Medium Term Plan for the Vision 2030.

To effectively implement the EDE Strategy, the NDMA developed its Strategic Plan, 2013-17 that it has been implementing since 2013/14. All the annual work plans, budgets and the Performance Contracts are thus directly derived from the Strategic Plan. It has also been carrying out staff capacity building to ensure all staff is up to task of delivering on its mandate.

Inadequate resources have continued to be a major constraint in implementing the Strategic Plan. The delay in transferring the assets from the former Ministry of State for Development of Northern Kenya and Other Arid Lands to NDMA has not made it impossible to raise funds through disposal of idle assets, nor has it been possible to rehabilitate the Authority's guest houses, offices and other fixed assets whose condition continued to deteriorate.

As the Authority focuses on resource mobilization to implement activities towards ending drought emergencies, the newly appointed NDMA Board has made a commitment to focus on improving efficiency of the Authority in service delivery. Improving governance is thus the top priority of the Board. The Board members will be trained on Corporate Governance to equip them with the skills to ensure improved governance and zero tolerance to corruption.

On behalf of the Board, I wish to convey my appreciation to the management and staff of the NDMA for their hard work and dedication, and to the Government of Kenya and our partners for their continued support.

Chairperson Apnes Wabigi
Date.. 30/9/2015.....

VII. REPORT OF THE CHIEF EXECUTIVE OFFICER

It is with great pleasure that I present this second financial statement for the National Drought Management Authority for the period 2014-15. As a young institution, NDMA has continued to put in place solid financial management system that will ensure increased efficiency and value for money.

The Authority continued to strengthen its capacity in the 23 drought-prone counties where it operates. With the support from the Government and Development Partners, the NDMA made a number of achievements during the reporting period that include:

- 300 monthly Drought Early warning bulletins produced and disseminated within the counties, the national level and through the NDMA website.
- Short and long rains food security assessments undertaken in all ASAL counties and reports produced for use by government and other agencies.
- In collaboration with county Governments, drought contingency plans were developed for each of the 23 ASAL counties and the same used to plan emergency response interventions.
- Activated the Drought Contingency Fund Project, that resulted in 14 counties being supported with emergency interventions in the form of water trucking, supplementary feed for animal and schools, livestock vaccination and repair of borehole equipment.
- Transferred cash to 76,089 poor households under the regular cash transfer and transferred to an additional 129,609 households under the emergency scale up during drought.
- Community food security interventions, climate change adaptation, water conservation and income generating achieved through various drought resilience projects.
- At least 100 community micro projects were identified and implemented in various counties.
- Produced and finalized the Common Programme Framework for Ending Drought Emergencies in collaboration with sector ministries, county Governments, development partners and other stakeholders.
- Developed coordination structures as part of EDE, Inter-governmental committee on Drought.
- M&E and MIS for NDMA were developed and staff trained on the same.
- The Authority commenced development of the M&E Framework for the EDE in collaboration with other stakeholders.
- An online Investment mapping tool has been developed.

I would like to express my gratitude to all our stakeholders and partners, whose support for the NDMA and contributions to our shared goal of ending drought emergencies have been invaluable. I also thank the Ministry of Devolution and planning, the NDMA's Board of Directors, and the management and staff of the Authority for their continued support.

Chief Executive Officer []

Date... 30.09.15

VIII. CORPORATE GOVERNANCE STATEMENT

Corporate governance is the process and structure used to direct and manage the affairs of the Authority in order to enhance prosperity, corporate performance and accounting. The Board of Directors is the supreme forum for formulating and interpreting policy and charting out the road map for goal attainment including plans of action.

The Board of Directors is responsible for the governance of the Authority and accountable to the Ministry of Planning and Devolution to ensure compliance with the law and best practices in ensuring increase in the stakeholders' values and satisfying them as confirmed in the presented financial statements.

The Directors attach great importance to the need to conduct the business and operations of the Authority with integrity, professionalism and in accordance with the generally accepted international corporate practice.

The Boards responsibilities are clearly stated in the Authority's Board charter.

The Board meets on quarterly basis to review the management performance on establishing mechanisms to ensure that drought does not become famine and the impacts of climate are sufficiently mitigated. The Directors are given appropriate and timely information to enable them maintain full and effective control over strategic, financial operational and compliance issues.

The Board currently consists of eight (8) Directors which include the Chief Executive Officer as secretary to the Board. The composition of the Board and brief biographies of the Directors, which highlight the range of experience they bring to the Authority are set out on pages 5. It includes the necessary mix of relevant skills and experience from both private sector and government institutions.

The Board had three (3) standing committees, which meet regularly under the terms set out by the Board. These committees were:

***Audit & Risk Management Committee.**

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

***Human Resource Committee.**

These committee reviews and provides recommendations on issues relating to all human resource matters including career progression, performance management, training needs, job transfers, staff recruitment, staff placement, discipline and staff welfare.

***Finance Committee.**

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

IX. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

At the legal level, the Authority undertook all the necessary measures geared towards ensuring that NDMA mitigated against any negative effects on the environment and impact on social welfare and livelihoods. The NDMA made all efforts to assess the impacts, where by law requires, on the environment and society before undertaking interventions. The Authority strictly adhered to all legal requirements and regulatory frameworks while at the same time establishing progressive guidelines in drought management and drought mitigation. Key among these progressive frameworks established are the DCF business process and M&E guidelines.

These new guidelines and frameworks went a long way in ensuring that NDMA is a responsible entity that operates and respects all laid down procedures while ensuring that drought does not become famine and effects of climate change are mitigated.

To this end, NDMA ensured that it operated within the United Nations ISO 26000. The NDMA adhered to the seven Key Principles advocated by this ISO 26000 as the roots of socially responsible behaviour. These are Accountability; Transparency; Ethical behaviour; Respect for stakeholder interests (stakeholders are individuals or groups who are affected by, or have the ability to impact, the organization's actions); Respect for the rule of law; Respect for international norms of behaviour; and Respect for human rights.

The Seven Core Subjects of ISO 26000 which NDMA considered are Organizational governance; Human rights; Labour practices; Environment; Fair operating practices; Consumer issues; and Community involvement and development

The other approach used by the NDMA was geared towards making the Authority a "corporate citizen". The Authority incurred short-term costs that did not fall within its mandate and hence did not come with any immediate financial/social benefit to NDMA, but instead promoted positive social and environmental change among community members that interact with the Authority. The NDMA assisted in planning and execution of the Samburu Camel Derby.

Due to financial constraints, the Authority was not able to undertake the other CSR activities.

X. REPORT OF BOARD OF MANAGEMENT

The Board submit their report together with the audited financial statements for the year ended June 30, 2015 which show the state of the *Authority's* affairs.

The State Corporations Act Cap.446 of the Laws of Kenya requires us to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Authority as at the end of the 2014/2015 financial year and of its operating results for that year.

The Board is required to ensure that the Authority keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority. They are also responsible for safeguarding the assets of the Authority and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards.

The Board are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Authority and of its operating results as at 30 June, 2015. The Board further accepts responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial controls.

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

Chairperson



Date 30/9/2015

Chief Executive Officer



Date 30.09.15

NATIONAL DROUGHT MANAGEMENT AUTHORITY DRAFT FINANCIAL STATEMENTS
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Principal activities

The principal activities of the Authority are (continue to be):

- To reduce drought vulnerability and enhance adaptation to climate change
- To provide drought and climate information to facilitate concerted action by relevant stakeholders
- To protect the livelihoods of vulnerable households during drought
- To ensure coordinated action by government and other stakeholders
- To develop and apply knowledge management approaches that generate evidence for decision-making and practice
- To strengthen institutional capacity, though among others attracting, developing and retaining competent staff
- To mobilize adequate financial resources and ensure sound management of the same

Results

The results of the Authority for the year ended June 30, 2015 are set out on pages 16 to 20.

Management Board

The members of the Management Board who served during the year are shown on page 5. In accordance with gazette notice No. 2874 of 17th April, 2015 and the State Corporations Act (Cap.446), the following: Dr. Esther N. Mungai, Kibisu Kabatesi, Emily Kithira Mworira, Rashid Kassim Amin were appointed as new board members. It is worthy to note that four (4) members retired from the Board as shown on page 5.

Auditors

The Auditor General is responsible for the statutory audit of the Authority in accordance with the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

Office of the Auditor General carried out the audit of National Drought Management Authority for the year/period ended June 30, 2014.

By Order of the Board



James Odour
Chief Executive Officer
National Drought Management Authority
Nairobi

Date..... 30.09.15

XI. STATEMENT OF MANAGEMENT BOARD RESPONSIBILITIES

The Public Finance Management Act, 2012 and section 446 (Cap.255) of the State Corporations Act, require the Board to prepare financial statements in respect of the National Drought Management 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 Board are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Board are also responsible for safeguarding the assets of the Authority.

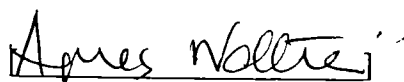
The Board are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year (2014/2015) ended on June 30, 2015. This responsibility includes: (i) maintaining 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 Authority; (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 Board 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 and the State Corporations Act. The Board 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, 2015, and of the Authority's financial position as at that date. The Board 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 Board 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 11.08.15 2015 and signed on its behalf by:


Chairperson


Chief Executive Officer

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL DROUGHT MANAGEMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the National Drought Management Authority set out on pages 1 to 21, which comprise of the statement of financial position as at 30 June 2015, and the statement of financial performance, statement of changes in net assets, statement of comparison of budget and actual amounts, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7). The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). 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

National Drought Management Authority – Financial Statements for the year ended 30 June 2015

assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

Plant, Property and Equipment

As noted in my audit report of the financial year ended 30 June 2014, the property, plant and equipment balance of Kshs.629,948,025 as at 30 June 2015 includes assets inherited from the former Arid Lands Resource Management Project under the Ministry of State for Special Programme totalling Kshs.610,706,325. These assets are not registered in the name of the Authority. In the circumstances, it has not been possible to confirm that the carrying values as stated in the financial statements reflect the fair values of the property, plant and equipment balance of Kshs.610,706,325.

This situation is indicative of significant impairment on some of the properties. I, however note that a current valuation has not yet been carried out and hence not possible to quantify the overall impairment that should be incorporated in the financial statements.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the National Drought Management Authority as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the National Drought Management Authority Order, 2011.



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

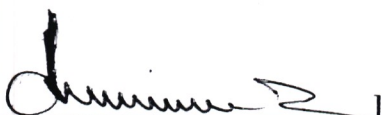
Nairobi

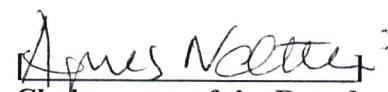
13 May 2016

NATIONAL DROUGHT MANAGEMENT AUTHORITY FINANCIAL STATEMENTS AND ANNUAL REPORT FOR THE YEAR ENDED 30TH JUNE 2015

XII. STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30th June 2015

	Note	2014-15 Kshs	2013-14 Kshs
Revenue from non-exchange transactions			
Public contributions and donations	3	4,114,698,267.00	1,544,093,038.00
Transfers from other governments – gifts and services-in-kind	4	<u>1,119,880,146.00</u>	<u>726,745,552.00</u>
		5,234,578,413.00	2,270,838,590.00
Revenue from exchange transactions			
Rental revenue from facilities and equipment	5	596,200.00	2,664,190.00
Other income	6	<u>1,944,488.00</u>	<u>3,621,981.00</u>
		2,540,688.00	6,286,171.00
Total revenue		5,237,119,101.00	2,277,124,761.00
Expenses			
Employee costs	7	363,255,848.00	374,140,246.00
Remuneration of Board members	8	7,542,810.00	10,733,995.00
Depreciation and amortization expense	9	4,626,439.00	3,211,437.00
Repairs and maintenance	10	7,272,432.00	48,398,099.00
General expenses	11	35,659,966.00	76,376,409.00
Donor-activities' related costs	12	4,805,093,067.00	1,791,421,179.00
Finance costs		323,339.00	-
Total expenses		5,223,773,900.00	2,304,281,365.00
Surplus/(Deficit) for the period		<u>13,345,201.00</u>	<u>(27,156,604.00)</u>


Chief Executive Officer


Chairperson of the Board

Date... 30.09.15

Date... 30/9/2015

XIII. STATEMENT OF FINANCIAL POSITION

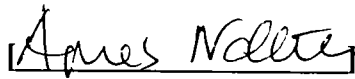
As at 30 June 2015

	Note	2014-15 Kshs	2013-14 Kshs
Assets			
Current assets			
Cash and cash equivalents	14	42,543,962.00	62,622,834.00
Receivables and prepayments	15	70,524,634.00	21,553,147.00
Inventories	16	4,033,057.00	1,567,167.00
		<u>117,101,653.00</u>	<u>85,743,148.00</u>
Non-current assets			
Property, plant and equipment	17	629,948,025.00	624,768,358.00
Total assets		<u>747,049,678.00</u>	<u>710,511,506.00</u>
Liabilities			
Current liabilities			
Trade and other payables	18	35,987,385.00	9,719,898.00
Bank overdraft		-	3,081,715.00
		<u>35,987,385.00</u>	<u>12,801,613.00</u>
Net assets		<u>711,062,294.00</u>	<u>697,709,893.00</u>
Financed By			
Capital Reserves - Adjusted 2013/14		697,709,893.00	723,904,107.00
Accumulated surplus - Adjusted 2014/15		13,352,401.00	(26,194,214.00)
Total net assets and liabilities		<u>711,062,294.00</u>	<u>697,709,893.00</u>

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:


Chief Executive Officer

Date... 30.09.15


Chairperson of the Board

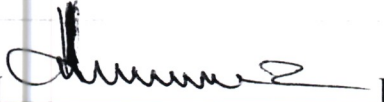
Date... 30/9/2015

NATIONAL DROUGHT MANAGEMENT AUTHORITY FINANCIAL STATEMENTS AND ANNUAL REPORT FOR THE YEAR ENDED 30TH JUNE 2015

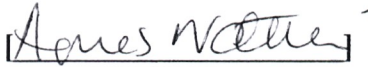
XIV. STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2015

	Accumulated Fund Kshs	General Reserve Kshs	Total Kshs
Balance adjusted as at 30 June 2013	614,528,732.00	109,375,375.00	723,904,107.00
Transfer to/from surpluses 2013/14	962,390.00	(27,156,604.00)	(26,194,214.00)
Balance as at 30 June 2014	<u>615,491,122.00</u>	<u>82,218,771.00</u>	<u>697,709,893.00</u>
Balance as at 01 July 2014	615,491,122.00	82,218,771.00	697,709,893.00
Transfers to/from accumulated surplus	7,200.00	13,345,201.00	13,352,401.00
Balance as at 30 June 2015	<u>615,498,322.00</u>	<u>95,563,972.00</u>	<u>711,062,294.00</u>

NB: During the period staff's Debt of Kshs. 8,000 was paid while a receivable of Ksh.800 was netted off against the same to increase the accumulated fund by Ksh.7,200.00.


 Chief Executive Officer


Date... 30.09.15


 Chairperson of the Board

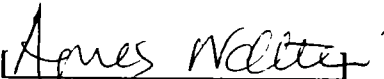
Date... 30/9/2015

XIII. STATEMENT OF CASH FLOWS

	Notes	2014-15 Kshs	2013-14 Kshs
Cash generated from operations:			
Surplus for the Year		13,345,201.00	(27,156,604.00)
Add			
Depreciation	19	4,626,439.00	3,211,437.00
Net Cash generated from operations:		17,971,640.00	(23,945,167.00)
Changes in Working Capital			
Increase/decrease in inventories	20	(2,465,890.00)	(328,384.00)
Increase/decrease in receivables-non exchange	20	(48,971,487.00)	(12,700,358.00)
Increase/decrease in other payables and accruals	21	26,267,486.00	(7,126,447.00)
Increase/decrease in other current liabilities	21b	(3,081,715.00)	3,081,715.00
Net changes in working capital		(28,251,606.00)	(17,073,474.00)
Net cash generated from Operating Expenses		(10,279,965.00)	(41,018,641.00)
Cash flows from Investing Activities			
Computer and Accessories		(5,359,076.00)	(4,706,458.00)
Furniture and fixtures		(4,447,030.00)	(8,055,130.00)
Proceeds from disposal		-	13,920.00
Net cash used in Investing Activities	22	(9,806,106.00)	(12,747,668.00)
Cash flows from Financing Activities			
		7,200.00	-
Increase / (decrease) in cash and cash equivalents		(20,078,871.00)	(53,766,309.00)
Movement in cash and cash equivalents			
At start of year		62,622,833.00	116,969,142.00
At end of year-recurrent		42,543,962.00	63,202,833.00
Prior year adjustment		-	(580,000.00)
At the end of the year		<u>42,543,962.00</u>	<u>62,622,833.00</u>


Chief Executive Officer

Date: 30.09.15


Chairperson of the Board

Date: 30/9/2015

XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Revenue	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2014-2015	2014-2015	2014-2015	2014-2015	2014-2015
Public contributions and donations	1,584,050,000.00	2,907,589,000.00	4,491,639,000.00	4,114,698,267.15	376,940,732.85
Government grants and subsidies (recurrent)	345,511,071.00	37,000,000.00	382,511,071.00	389,880,145.87	(7,369,074.87)
Government grants and subsidies (development)	249,600,000.00	480,490,000.00	730,090,000.00	730,000,000.00	90,000.00
Tender sale income	-	-	-	-	-
Interest income	2,000,000.00	-	2,000,000.00	1,944,488.30	55,511.70
Rental revenue	1,200,000.00	-	1,200,000.00	596,200.00	603,800.00
Total Income	2,182,361,071.00	3,425,079,000.00	5,607,440,071.00	5,237,119,101.32	370,320,969.68
Expenses					
Compensation of employees (NDMA)	279,989,656.00	37,000,000.00	316,989,656.00	305,667,732.00	11,321,924.00
Utility expenses	2,141,526.00	-	2,141,526.00	1,303,489.05	838,036.95
Communication costs	3,663,158.00	-	3,663,158.00	4,523,865.09	(860,707.09)
Travelling & Accommodation (domestic)	1,803,200.00	-	1,803,200.00	8,347,857.10	(6,544,657.10)
Travelling & accommodation (foreign)	218,014.00	-	218,014.00	1,190,378.20	(972,364.20)
Publishing, printing, advertising & subscriptions	132,486.00	-	132,486.00	1,850,781.00	(1,718,295.00)
Rent paid	16,558,512.00	-	16,558,512.00	15,141,050.80	1,417,461.20
Training expenses	450,000.00	-	450,000.00	709,693.00	(259,693.00)
Board	849,408.00	-	849,408.00	7,542,809.50	(6,693,401.50)
Medical insurance (NDMA)	26,112,500.00	-	26,112,500.00	48,049,881.00	(21,937,381.00)
Goods, supplies, hospitality & services	3,181,351.00	-	3,181,351.00	2,886,689.00	294,662.00
Fuel & lubricants	2,327,500.00	-	2,327,500.00	4,047,056.25	(1,719,556.25)
Membership fees, Finance & Contracted Services	967,802.00	-	967,802.00	4,940,681.50	(3,972,879.50)
Costs	-	-	-	-	-
Audit fees	-	-	-	580,000.00	(580,000.00)
Motor vehicle maintenance	4,240,958.00	-	4,240,958.00	4,967,730.55	(726,772.55)
Depreciation	-	-	-	4,626,439.03	(4,626,439.03)
Maintenance of Other Assets	2,875,000.00	-	2,875,000.00	2,304,701.00	570,299.00
Donor related activities-AIA	1,584,050,000.00	2,907,589,000.00	4,491,639,000.00	3,968,475,893.61	523,163,106.39
Grants and subsidies	249,600,000.00	480,490,000.00	730,090,000.00	836,617,173.00	(106,527,173.00)
Total expenditure	2,179,161,071.00	3,425,079,000.00	5,604,240,071.00	5,223,773,900.68	380,466,170.32
Surplus for the period	3,200,000.00	-	3,200,000.00	13,345,200.64	(10,145,200.64)

Refer to the Annexes 1 for explanation of the variances.

ij) Ksh.305,667,732= 304,989,532+678,200 under note 7.

ii) Ksh.2,304,701= 709,828+1,093,180+501,693 under note10.

iii) Ksh.2,886,689= 1,524,503+1,362,186 under note 11.

vii) Ksh.3,968,475,894= 192,453,144+317,370,480+3,441,798,502+16,863,767 under note 12 marked AIA. viii) Ksh.836,617,173=4,805,969,300-3,969,352,127 being the other items under note 12 except AIAs.

iv) Ksh.4,940,682= 4,135,893+481,450 (under note11)+323,339 finance costs.

v) Ksh.1,850,781= 1,074,820+201,200+574,761 under note 11.

vi) Ksh.4,523,865= 4,033,131+490,734 under note 11.

VII. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation

The Authority's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Authority. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Authority and can be measured reliably.

Tender sale income

Revenue from the sale of tenders is recognized when such has been received the significant risks of cancellation of the tender sale and rewards of ownership have been transferred to the buyer, usually after the close of the offer of the tender and when the amount of revenue can be measured reliably and it is probable that the economic benefits with the transaction will flow to the Authority.

The period under review there was no sale of tender documents.

Interest income

Interest income of the Authority is recognised when earned and the same reflected on the bank statement. The interest income has been as a result of the Authority opening current bank accounts with NIC where the interest is earned on daily available balances to those accounts according to the market rate.

Rental income

Rental income is arising from the Authority's guest houses in Mandera and Moyale which had been leased by the County office during the previous financial year 2013/14. However during the year under review the rental income reduced significantly due to vacation of the guest house by the county Government and insecurity issues. The same is recognised when earned.

b) Budget information

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Authority. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or Authority differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Property, plant and equipment

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 Authority recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

d) Depreciation Policy

Depreciation is calculated on reducing balance (as per the proposed finance manual) basis at annual rates from the year of purchase. An amount of Ksh. 610,706,325.85 relates to property, plant and equipment were inherited from the Arid Lands Resource Management Project (ALRMP) at their historical cost values. The Authority was not able to carry out the valuation as earlier expected in the financial year due to budget constraints, however the Authority is making efforts to ensure this is done. The depreciation for the inherited assets could therefore not be recognized in the first and second year of operation and hence the current figure reflects the historical costs. All the other assets acquired or have been depreciated at the rates applicable in NDMA are as shown below

	% per annum
Buildings	2.5%
Plant and Machinery	2.5%
Motor Vehicles & Motor Cycles	25.0%
Furniture, Fittings & Office Equipment	12.5%
Computer and accessories	30.0%

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 Authority.

j) Provisions

Provisions are recognized when the Authority 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 Authority 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

The Authority 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.

Contingent assets

The Authority 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 Authority 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 Authority does not create and maintain reserves in terms of specific requirements. Authority's amounts reflected as reserves are made up of the surpluses/deficits realised during the year.

l) Changes in accounting policies and estimates

The Authority 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) Employee benefits

Retirement benefit plans

Most of the Authority's employees were confirmed into permanent and pensionable terms with effect from 1st March 2013. Though the Authority did not have a budget provision for the same, this poses as challenge in the future once the pension scheme comes into operation. It is worth noting that the benefits for the past period since confirmation will have to be taken into consideration as this is an obligation by the employer while it's also employees' right.

The Authority is however in the process of providing retirement benefits for its employees in form of defined contributions. Defined contribution plans are post-employment benefit plans under which an Authority pays fixed contributions into a separate Authority (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.

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.

However, Disclosure of past benefit to staff will be reported once the scheme become operational from August 2015.

n) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise. During the financial year, the Authority did not deal with foreign exchange; neither does the Authority operate a foreign account.

j) 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 Authority regards a related party as a person or an Authority with the ability to exert control individually or jointly, or to exercise significant influence over the Authority, or vice versa. Members of key management are regarded as related parties and comprise the Board of Directors, Chief executive officer, the departmental Directors and the sectional Managers.

Key management compensation:

	2014-15	2013-14
Directors	9,802,000.00	9,928,800.00
Managers	18,294,240.00	20,640,000.00
TOTAL	28,096,240.00	30,568,800.00

N.B: Please note that the amount of Ksh. 28,096,240.00 disclosed above relate salaries paid to top management staff of the organization. These were paid through the monthly payrolls and forms part of the employee related costs figure of Ksh. 363,922,514.29 on note number 7.

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 Authority 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 Authority 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 various commercial banks 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) Significant judgments and sources of estimation uncertainty

The preparation of the Authority'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 Authority 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 Authority. Such changes are reflected in the assumptions when they occur.

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 Authority
- 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 recognised when the Authority 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 services potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

u) 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, 2015

3. Public contributions and donations

	2014-15	2013-14
	Kshs	Kshs
Receipts form UNDP projects (Revenue)	82,476,673.00	103,657,015.00
Receipts from WFP	46,480,000.00	39,412,077.00
Receipts from FAO	1,696,811.00	6,875,967.00
Receipts from UNEP	-	200,753.00
Receipts from ARC	618,270.00	1,536,626.00
Receipts from ADA	14,940,620.15	-
Receipts from HSNP (Donor-AIA)	3,441,798,502.00	984,565,600.00
Receipts from UNDP (Donor-AIA)	16,863,767.00	84,328,000.00
Receipts from KRDP (Donor-AIA)	192,453,144.00	323,217,000.00
Receipts from DCFP (Donor -AIA)	317,370,480.00	-
Total transfers and sponsorships	<u>4,114,698,267.00</u>	<u>1,544,093,038.00</u>
4. Transfers from other governments – gifts and services-in-kind		
	2014-15	2013-14
	Kshs	Kshs
Unconditional grants		
Operational grant	382,335,217.00	447,179,552.00
Income from other levels of GVT	7,544,929.00	-
	389,880,146.00	447,179,552.00
Conditional grants		
World Food Programme	15,017,000.00	12,508,000.00
Hunger Safety net Programme	624,000,000.00	249,600,000.00
Kenya Rural Development Programme	41,748,260.00	17,458,000.00
Drought Contingency funds	49,234,740.00	-
	730,000,000.00	279,566,000.00
Total government grants and subsidies	<u>1,119,880,146.00</u>	<u>726,745,552.00</u>

5. Revenue from facilities and equipment

	2014-15	2013-14
	Kshs	Kshs
Guest house collections	596,200.00	2,664,190.00
Total rentals	<u>596,200.00</u>	<u>2,664,190.00</u>

6. Other income

	2014-15	2013-14
	Kshs	Kshs
Tender sale income	-	937,000.00
Interest earned on bank balances	1,944,488.00	2,684,981.00

NATIONAL PROCUREMENT MANAGEMENT AUTHORITY DEPARTMENTAL FINANCIAL STATEMENTS
AND ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2015

Total other income	1,944,488.00	3,621,981.00
Grand total income	<u>5,742,271,938.00</u>	<u>2,277,124,761.00</u>

7. Employee costs

	2014-15	2013-14
	Kshs	Kshs
Employee related costs - salaries and wages (NDMA)	304,989,532.00	308,131,855.00
Employee related costs - contributions to NSSF	678,200.00	726,600.00
Medical Insurance-NDMA	48,049,881.00	34,006,459.00
Travel costs (Domestic)	8,347,857.00	30,433,986.00
Travel costs (Foreign)	<u>1,190,378.00</u>	<u>841,345.00</u>
Employee cost	363,255,848.00	374,140,246.00

8. Remuneration to Board Members

	2014-15	2013-14
	Kshs	Kshs
CEO's Remuneration	4,850,000.00	4,800,000.00
Honoraria	960,000.00	960,000.00
Allowances	1,348,670.00	4,089,689.00
Domestic Travel	364,740.00	884,307.00
Telephone expenses	<u>19,400.00</u>	<u>-</u>
Total Board expenses	7,542,810.00	10,733,995.00

9. Depreciation and Amortization Expense

	2014-15	2013-14
	Kshs	Kshs
Depreciation Charge for the Year	<u>4,626,439.00</u>	<u>3,211,437.00</u>
	4,626,439.00	3,211,437.00

10. Repairs and maintenance

	2014-15	2013-14
	Kshs	Kshs
Property	709,828.00	5,538,924.00
Equipment	1,093,180.00	6,642,125.00
Vehicles	4,967,731.00	35,807,582.00
Computers	-	257,748.00
Other	<u>501,693.00</u>	<u>151,720.00</u>
Total repairs and maintenance	7,272,432.00	48,398,099.00

NATIONAL DROUGHT MANAGEMENT AUTHORITY DRAFT FINANCIAL STATEMENTS
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1. General expenses

The following are included in general expenses:		
	2014-15	2013-14
	Kshs	Kshs
Advertising and Publicity	1,074,820.00	1,039,048.00
Audit fees- Adjusted for 2013/2014	580,000.00	580,000.00
Hospitality and Conference facilities	1,524,503.00	3,890,312.00
Consumables	1,362,186.00	11,128,287.00
Utility costs	1,303,489.00	5,443,136.00
Fuel and oil	4,047,056.00	17,094,604.00
Postage	490,734.00	756,260.00
Publishing and Printing	201,200.00	237,350.00
Subscription and Newspapers	574,761.00	1,086,475.00
Rental	15,141,051.00	21,026,342.00
Contracted Services Cleaning and Security	4,135,893.00	3,770,197.00
Membership to Professional Bodies	481,450.00	99,500.00
Telecommunication	4,033,131.00	9,177,050.00
Finance Costs (bank service charges)	-	374,065.00
Training	709,693.00	573,783.00
Total general expenses	35,659,966.00	76,376,409.00

12. Donor Funded Activities

The following are donor related expenses		
	2014-15	2013-14
	Kshs	Kshs
Community Development- KRDP (GOK)	28,709,745.00	15,680,532.00
Community Development- HSNP (GOK)	626,408,791.00	227,696,524.00
Community Development- DCF (GOK)	50,699,875.00	-
Expenses on UNDP (Donor-Revenue)	63,385,479.00	95,410,124.00
Expenses on WFP	56,609,406.00	54,810,809.00
Expenses on FAO	883,361.00	5,712,589.00
Expenses on ARC	817,345.00	-
Expenses on ADA	9,093,171.00	-
Expenses on KRDP (Donor-AIA)	192,453,144.00	323,217,000.00
Expenses on DCF (Donor-AIA)	317,370,480.00	-
Expenses on HSNP (Donor-AIA)	3,441,798,502.00	984,565,600.00
Expenses on UNDP (Donor-AIA)	16,863,767.00	84,328,000.00
Total donor- related expenses	4,805,093,067.00	1,791,421,179.00

13. Taxation

The Authority draws all it's funding from the Government and therefore tax exempted.

14. Cash and cash equivalents

The following are the cash & bank balances

2015

2014

NATIONAL DROUGHT MANAGEMENT AUTHORITY DRAFT FINANCIAL STATEMENTS
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KCB-KICC 1136140255	23,554,915.00	38,190,940.00
NIC-1000584564	5,002,817.00	1,028,593.00
NIC- NDMA Development	-	181,026.00
NIC- UNDP (KDRP) 1001285544	28,469.00	56,673.00
NIC- UNDP (ERP) 1001285568	202.00	865,305.00
NIC- UNDP (DRR) 1001976911	8,470,941.00	3,833,357.00
NIC- UNDP (AVAR) 1001285536	2,321.00	216,078.00
NIC- WFP/FFA 1001285595	769,420.00	-
NIC- UNDP (HSNP) 1001650137	2,322,578.00	18,250,646.00
Cash in hand	0	215.00
NIC- KRDP DCF 1001783153	2,392,299.00	-
Total cash and cash equivalents	<u>42,543,962.00</u>	<u>62,622,834.00</u>

15. Receivables from non-exchange contracts

Current receivables

	2015	2014
Staff Debtors (imprest)	466,501.00	2,103,195.00
Medical insurance prepayments	15,936,771.00	11,802,689.00
Unutilised balances from counties	37,560,781.00	5,694,619.00
Receivables from WFP by NDMA	100,000.00	500,000.00
Receivables from KDRP by NDMA	-	800.00
Receivables from KRDP by NDMA	2,345,838.00	1,376,314.00
Receivables from ERP by NDMA	-	3,640.00
Receivables from ILRI by NDMA	1,391.00	-
Salary advances	414,000.00	71,890.00
Receivables from various by NDMA-R 103	13,699,352.00	-
Total current receivables	<u>70,524,634.00</u>	<u>21,553,147.00</u>

16. Inventories

	2015	2014
Consumable stores	4,033,057.00	1,567,167.00
Total inventories at the lower of cost and net - Realizable value	<u>4,033,057.00</u>	<u>1,567,167.00</u>

16 Property, plant and equipment						
FIXED ASSETS SCHEDULE 2014/2 Freehold						
	land	Plant & equipment	Motor vehicles	Furniture & equipment	Computers & accessories	TOTAL
Depreciation rate	0.000	0.025	0.250	0.125	0.300	
Historical cost of assets from Project	11,176,266.00	-	438,532,353.55	110,611,115.30	50,386,591.00	610,706,325.85
Assets acquired by KRDP for NDMA	-	-	-	2,449,528.10	1,372,878.00	3,822,406.10
Additions during 2012/13	-	-	-	504,880.00	24,700.00	529,580.00
Total as at June 2013	11,176,266.00	-	438,532,353.55	113,565,523.40	51,784,169.00	615,058,311.95
Depreciation						
Charge for the year	-	-	-	369,301.01	419,273.40	788,574.41
Values at 30 June 2013	11,176,266.00	-	438,532,353.55	113,196,222.39	51,364,895.60	614,269,737.54
Cost at 01 July 2013	11,176,266.00	-	438,532,353.55	113,565,523.40	51,784,169.00	615,058,311.95
Loss during the Year	-	-	-	-	(69,600.00)	(69,600.00)
Additions during 2013/14	-	-	-	9,017,520.00	4,706,458.00	13,723,978.00
Totals cost as at June 2014	11,176,266.00	-	438,532,353.55	122,583,043.40	56,421,027.00	628,712,689.95
Depreciation as at 01 July 2013	-	-	-	369,301.01	419,273.40	788,574.41
Charge for the year	-	-	-	1,450,328.39	1,761,108.78	3,211,437.17
Eliminated on disposal	-	-	-	-	(55,680.00)	(55,680.00)
Total accumulated depreciation	-	-	-	1,819,629.40	2,124,702.18	3,944,331.58
Values as at 30 June 2014	11,176,266.00	-	438,532,353.55	120,763,414.00	54,296,324.82	624,768,358.37
Cost at 01 July 2014	11,176,266.00	-	438,532,353.55	122,583,043.40	56,421,027.00	628,712,689.95
Additions during 2014/15	-	-	-	4,447,030.00	5,359,076.00	9,806,106.00
Total cost at June 2014	11,176,266.00	-	438,532,353.55	125,210,444.00	59,655,400.82	634,574,464.37
Depreciation as at 01 July 2014	-	-	-	1,819,629.40	2,124,702.18	3,944,331.58
Charge for the year	-	-	-	1,824,916.09	2,801,522.95	4,626,439.03
Total accumulated depreciation	-	-	-	3,644,545.48	4,926,225.13	8,570,770.61
Values as at 30 June 2015	11,176,266.00	-	438,532,353.55	123,385,527.92	56,853,877.87	629,948,025.34

NB: The Organization inherited assets from the former project which are recorded at historical costs and no depreciation has been provided since the same is awaiting valuation.

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18. Trade and other payables

	2014-15	2013-14
	Shs	Shs
Other payables (KRDP)	18,954,052.00	1,184,518.00
Other payables (Inter banks)	13,699,352.00	-
Other payables (WFP)	100,000.00	500,000.00
Other payables (UNICEF)	102,406.00	-
Other payables (UNEP)	515.00	-
Employee Advances & Payroll Liabilities	343,229.00	245,799.00
Accrued Expenses	2,196,813.00	6,276,000.00
Audit fees (2012/2013)	-	580,000.00
Audit fees (accrued 2013/2014)	-	580,000.00
Trade and Other payables	<u>591,018.00</u>	<u>353,581.00</u>
Total trade and other payables	<u>35,987,385.00</u>	<u>9,719,898.10</u>

NB: Please note that the figures for Ksh.2,196,813 and Ksh.591,018 includes Ksh.580,000.00 each for FYs 2013/2014 and 2014/2015 respectively in respect of audit fees.

21b other current liabilities

	2014-15	2013-14
	Shs	Shs
Bank overdraft NIC-WFP	<u>-</u>	3,081,715.00
Total other current liabilities	<u>-</u>	<u>3,081,715.00</u>

19. FINANCIAL RISK MANAGEMENT

Exposure to currency, commodity, interest rate, liquidity and credit risk arises in the normal course of the authority's operations. This note presents information about the authority's exposure to each of the above risks, policies and processes for measuring and managing risk, and the authority's management of capital. Further quantitative disclosures are included throughout these financial statements.

Fair values

Set out below, is a comparison by class of the carrying amounts and fair value of the authority's financial instruments.

	Carrying amount	Fair value
	Ksh	Ksh
Financial Assets		
At 30 June 2015		
Receivables from non-exchange transactions	70,524,634.00	70,524,634.00
Cash and cash equivalents	42,543,962.00	42,543,962.00
Total	113,068,596.00	113,068,596.00

	Ksh	Ksh
Financial Liabilities		

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At 30 June 2015		
Trade payables from exchange transactions	35,987,385.00	35,987,385.00
Total	35,987,385.00	35,987,385.00

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.

Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Credit risk

Credit risk is the risk of financial loss to the authority if customers or counterparties to financial instruments fail to meet their contractual obligations. The authority's credit risk is primarily attributable to its receivables and cash and cash equivalents. The carrying amount of financial assets represents the maximum credit exposure. The credit risk on liquid funds with financial institutions is low, because the counter parties are banks with high credit-ratings. The maximum exposure to credit risk as at 30 Jun 2015 was:

	Fully performing	Past due	Impaired	Total
	Ksh	Ksh	Ksh	Ksh
Non exchange receivables	70,524,634.00	-	-	70,524,634.00
Cash and cash equivalents	42,543,962.00	-	-	42,543,962.00
Maximum exposure to credit risk	113,068,596.00	-	-	113,068,596.00

Credit quality

Credit quality is assessed risk of default attached to counterparties to which the authority extends credit and also those parties with whom the authority invests. As such, the credit quality assessed extends to the customers, investments and banks of the authority. For financial statement purposes, the investments and balances with banks are limited to the cash and cash equivalents line items in the statement of financial position.

Receivables

The authority does not extend credit to external parties. All services performed by the authority are rendered upon payment by the customers. The receivables from non-exchange transactions relate to staff advances, unutilized balances from the Counties and advances to internal donor activities. The advances were made in the financial year 2014/2015 and are therefore current.

Cash and cash equivalents

The authority limits its exposure to credit risk by investing cash and cash equivalents with only reputable financial institutions that have a sound credit rating. Consequently, the authority does not consider there to be any significant exposure to credit risk.

Liquidity risk

Liquidity risk is the risk of the authority not being able to meet its obligations as they fall due. The authority's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due, without incurring unacceptable losses or risking damage to the authority's

reputation. Prudent liquidity risk management includes maintaining sufficient cash to meet the authority's obligations.

The table below analyses the authority's financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Sh	Sh	Sh	Sh
At 30 June 2015				
Trade payables from exchange transactions	33,199,553.00	2,206,832.00	581,000.00	35,987,385.00
	33,199,553.00	2,206,832.00	581,000.00	35,987,385.00

Market risk

Market risk is the risk of changes in market prices, such as foreign-exchange rates and interest rates, affecting the authority's income or the value of its financial instrument holdings. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on the risk. The authority is not exposed to significant market risks.

Capital risk management policies

The primary objective of managing the authority's capital is to ensure that there is sufficient cash available to funding requirements, including capital expenditure, to ensure that the authority remains financially sound. The authority monitors capital using a gearing ratio, which is net debt, divided by total capital, plus net debt.

As at the end of the year, the authority had no debt. The capital structure of the authority consists only of a general fund. The gearing ratio of the authority is therefore 0%.

ANNEX 1: 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.

Reference No. on the external audit Report	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)
	Qualified opinion on the basis of historically valued property, plant and equipment inherited from the Project	Request for funding has also been submitted to National Treasury through the parent Ministry. Request for valuation has also been submitted to the Ministry of lands, housing and urban development.	Board of Directors	Ongoing	One year.

ANNEX 11: EXPLANATION ON BUDGET VARIANCES

- **Revenue:**

Actual revenue differs from the budgeted since the Authority did not receive some of the funds related to the Development budget while at the same time the Authority received funds for other ad-Hoch development projects which were not forming part of the budget. These are as listed below:

PROJECT	AMOUNT	EXPENDITURE
FAO	1,696,811.00	883,361.00
ARC	618,270.00	817,345.00
ADA	14,940,620.00	9,093,171.00
Peace Dividend in Garissa (from Min. of Interior)	7,000,000.00	6,999,981.00
Other miscellaneous receipts from District treasury for the former project	544,929.00	-
Rental & interest which will form 2015/16 budget	2,540,688.00	-
TOTAL	27,341,318.00	17,793,858.00

Other explanations are as follows:

- Public contributions and donations was not fully received due to some logistics associated to the registration of beneficiaries of the cash transfer program HSNP while some activities relating to KRDP and DCFP are responsive in nature where during the accounting period nothing happened to occasion such response activities, hence the reported decrease in receipts of Ksh.376,064,500.
- Government grants and subsidies recurrent; the excess amount was as result of Ksh.7 million which we received towards peace dividend from the Ministry of Interior Security, Plus an additional miscellaneous receipts from deposits held at Districts during the former project, ALRMP.
- The Authority did not receive an amount of Ksh.90, 000 relating to Government grants and subsidies development.
- The Authority did not attain its target for interest from bank and guest house collections due to exogenous factors beyond our control.

- **Expenditure:**

- The difference between the actual expenditure and the budget was due to under-expenditures necessitated by the nature of some the development projects especially which are an issue of response in nature; (e.g. DCF & KRDP activities). This is explaining the Ksh.522, 286,873 under AIA activities.
- The Organization is also showing over-expenditure on development activities due to the nature of some of the programs which are continuous in nature hence not affected by the current year's budget neither by the Governments Financial year end, thus the Ksh.106, 527,173 negative. The same were funded through the unutilised funds from the previous periods.
- The over-expenditures on the Board expenses is as a result of Ksh.4,850,000 salary related to the CEO which is forming an element of the staff costs budget, while the difference was as result of an underfunded budget requisition for 2014/15 FY. The Organizations Board has a Board Chair who is entitled to Ksh.980,000 annual remuneration as honoraria, while there were also other Board related activities hence the over-expenditure of Ksh.1,793,401.50 (i.e. net of the CEO's remuneration).

- d) Communication costs were also underfunded as per the budget requisition, hence the over-expenditure of Ksh.860, 707. The Organization has 23NO. Offices situated at the ASAL Counties which has resulted to challenges of communication. The same applies to Travel costs hence the over-expenditure of Ksh.6, 544,657.
- e) There were various International workshops relating to the core functions of the Organization hence the over-expenditure of Ksh.972, 364. This was also underfunded as per the budget requisition.
- f) Due to the structure and the County offices where NDMA operates, a lot of information is required as well as printing accountability documents for official use. This was also underfunded as per the budget requisition hence the over-expenditure of Ksh.1, 718,295.
- g) There was a directive that all professional practitioners be registered under their respective professional bodies, thus resulting to the supply chain and accounting officers being registered, hence the over-expenditure of Ksh.259, 693.
- h) The Organization had requested for funds to cater for the medical cover which was also not fully funded, resulting to the over-expenditure of Ksh.21, 937,381.00. This was however funded by unutilised surplus from the previous financial year.
- i) Due to the vastness of areas in the Counties where the organization operates, this resulted to the fuel used exceeding the budget, also the increasing prices in fuel and lubricants which was beyond our control, hence the over-expenditure of Ksh.1, 719,556.
- j) To ensure that physical assets of the Organization were protected, the Organization contracted a firm to ensure security of those assets. The budget was also underfunded as per requisition hence the over-expenditure of Ksh.3, 972,880.
- k) Audit fees was not funded hence the over-expenditure of Ksh.580, 000.
- l) As earlier explained under note (I) above coupled with the poor conditions of the roads, maintenance of motor vehicles was over-spend by Ksh.726,773.
- m) Depreciation was not budgeted but had to be provided for as per IPSAS 17 and 21.

NB: All the underfunded items on the recurrent budget were funded through the unutilised funds from the previous year. NDMA is fully funded by the Government which uses the accrual basis of accounting and the understanding is that the Authority can utilise surpluses from the previous year.

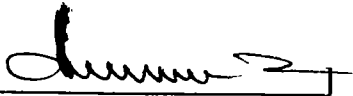
The Authority also undertakes some projects which are continuous in nature and the same were not affected by the closure of a financial period.

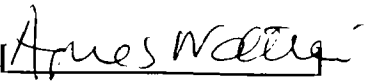
• ***Changes between original budget and final budgets***

This was occasioned by the original budget being revised upwards through the supplementary budgets. It is worth to note that for instance that the donors had already given their intended budget for that period over which we had no control hence the revision. This also triggered the Government's commitment to support the donor projects which also saw the GOK contribution on donor-related development funds being revised upwards for the HSNP project.

Employee's costs were also revised after the organization presented a request to Treasury for additional funds to cater for employee remunerations.

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Chief Executive Officer
Date...30/09/15


Chairperson of the Board
Date...30/9/2015