

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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REPORT



OF

THE AUDITOR-GENERAL

ON

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

FOR THE YEAR ENDED
30 JUNE 2016



EWASO NGIRO SOUTH RIVER BASIN DEVELOPMENT AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2016

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

21 APR 2017

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PART I

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Ewaso Ngiro South River Basin Development Authority was formed on 1989 by an Act of Parliament CAP 447 of the Laws of Kenya. At Cabinet level, Ewaso Ngiro South River Basin Development Authority is represented by the Cabinet Secretary for Ministry of Devolution and Planning. The Cabinet Secretary is responsible for the general policy and strategic direction of the Authority.

(b) Principal Activities

The principal activity of Ewaso Ngiro South River Basin Development Authority is to plan, coordinate and implement development projects within its area of jurisdiction

(c) Key Management

Ewaso Ngiro South River Basin Development Authority day-to-day management is under the following key organs:

- Board of Directors
- Managing Director and
- Chief Managers

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Managing Director	- Mr. Sammy L Naporos
2.	Chief Finance Manager	- Ms. Mary K. Omwoyo
3.	Chief Manager Human Resources & Administration	- Mr. Daniel L. Saruni
4.	Ag. Manager Planning, Research & Development	- Mr. Richard Tankille
5.	Chief Manager Technical Services & Operations	- Eng. Isaac Kiiru

(e) Fiduciary Oversight Arrangements

The Authority established the following key committees that were responsible for oversight on the Authority's operation, conformity to legal requirements and delivery of key mandates.

- The Board Development Committee

- The Board Finance and Establishment Committee
- The Board Audit Committee

(f) ENSDA Headquarters

ENSDA Building
Off Narok- Bomet Rd. Opposite Maasai Mara University
P.O. BOX 213- 20500
Narok.

(g) Entity Contacts

Telephone: 050-22290/22291
E-mail: ensda.go.ke, md.ensda@gmail.com
Website: www.ensda.go.ke

(h) Entity Bankers

- i) National Bank of Kenya,
Narok Branch,
P.O. Box 248,
Narok.
- ii) Co-operative Bank of Kenya,
Kisii Branch,
P.O. Box 2469,
Kisii.
- iii) Kenya Commercial Bank
Narok Branch,
P.O Box 406,
Narok.




(i) Independent Auditors

Office of the Auditor General
Nakuru Hub
PC's Office- 1st Floor
Block B Room 14
P.O Box 1050
Nakuru.

(j) Principal Legal Adviser



C.G Waithima and Co. Advocates
Kenya Re-Insurance Plaza
1st Floor, Rm 4 Taifa Road.
P.O Box 22976-00100
Nairobi.
TEL: 020-2176526, 020-2316697, 0720779780
Email: cwaithima@gmail.com




II: THE BOARD OF DIRECTORS



DIRECTOR'S NAME	RESPONSIBILITY IN THE BOARD	QUALIFICATION	AGE (Years)	PHOTO
Mr. Seleila Ole Mwanik	Board Chairman	<ul style="list-style-type: none"> -MBA Strategic Mgt. Option (Ongoing) MMU (2011) -Bachelor of Arts Social Sciences (Sociology & Political Sciences) - Senior Management Course (KSG) -Implementation of QMS based on ISO 9001:2008 (KEBS) -QMS Internal Auditors Course based ISO 9001:2008 -QMS Lead Auditors Course for Educational Institutions based on ISO Standards - P1 Teacher - Corporate Governance (SCAC) - Audit & Risk Management (KCA) 	55	
Ms. Fatuma Ekal	Member	<ul style="list-style-type: none"> -Bachelor of Education -Diploma in Education -Performance Management Workshop – Sept 2016 -Certificate in Education Management – Dec 2006 -Workshop for D/Head Teachers & HOD's – TSSHA – March 2006 -Workshop for D/Head Teachers & HOD's on their roles, duties and management skills- TSSHA- Oct 2004 	44	
Mr Sammy Rorat	Member	<ul style="list-style-type: none"> -Ongoing Master in business Administration. - Bachelor of Commence (Marketing Option) -Diploma in Communication Arts -Mwongozo induction Programme for State Corporation -Certificate on Credit Skills 	36	








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Mr. Samson Cheramboss (CBS, EBS,DSM)	Member	<ul style="list-style-type: none"> - Administration/ Security/ Finance -Retired GSU Commandant - Former Chairman – Kenya Airports Authority - Former Escort Commander - Former Deputy Director Kenya Wildlife Service 	69	
Ms. Beatrice Katimua Kerei	Chairperson, Development & Environmental Conservation Committee	<ul style="list-style-type: none"> -Master of education (Administration and Planning) - Bachelor of Education(Kiswahili/CRE) - Diploma in Project Management - Master Teacher Training for Education Support Project through solar Powered Internet School -Trainer of trainers (TOT) on ICT integration in Education. -Training on corporate governance, - (GODAN) summit on Global Open Data for Agriculture and Nutrition. - Mwongozo induction programme for board of States 	38	

		Corporations. Disaster management workshop		
Mr. Lotunale K. Elijah	Chairman, Audit and Risk Management Committee	- Bachelors of Science, - Microbiology MBA, Strategic Management (ongoing)	32	
Ms. Irene Wangui Kimaru	Member	- Masters of Business Administration, Strategic management (Ongoing) - Bachelor of Commerce (Finance) - Certified Public Accountant (ICPAK NO. 20072) - Certificate in Leadership and Mentorship)	23	
Mr. Henrey Ndogo Waweru	Chairman, Resource Mobilization Ad – Hoc Committee	- GCE Division III - Teaching P2 - Development Policies, Pass - Computer applications	68	

<p>Ms Irene Mwend Ngonde</p>	<p>- Alternate Director, CS. Ministry Of Environment and Natural Resources - Member, Development And Environmental Conservation Committee</p>	<p>- Master's in International Business Administration - Bachelor's Degree in Commerce - Member of Kenya Association of Public Administration and Management</p>	<p>42</p>	
<p>Mr. Benson Kinyanjui Kimani</p>	<p>Alt. Director, CS. State Department for Planning and Statistics</p>	<p>- Master of Arts degree in Economic Policy Management, Makerere University - Bachelor of Arts degree (Economics), UoN - Certified Project Management Professional - Strategic Leadership Development Programme (KSG) - Monitoring and Evaluation of Public Sector Projects and Programmes (University of East Anglia, Norwich) - Integrated and Sustainable Coastal Development (Gothenburg University, Sweden). - Core team that prepared the Second Medium Term Plan of the Kenya Vision 2030 - Involved in the coordination and management of various projects and programmes at both national and devolved levels.</p>	<p>52</p>	

Mr. Julius O. Biginga	Alt Director, Inspector - General (Corporations)	BCOM (Business Administration: 1. Financial Management 2. Human Resource Management 3. Procurement and Logistics Masters Public Policy and Administration (ongoing)	58	
Ms. Theresa Khakasa Wasike	Alt. Director, CS. Ministry of Water & Irrigation, State Department of National Water Services	- Master's in International Relations - Strategic Leadership Development Course, 2010 - Senior Management Course, 2006 - Advanced Public Administration Course, 2002	49	
Mr. Livingstone Omuchere Bumbo	Alternate Director, CS. The National Treasury	-Masters in Public Sector Management. Africa University, Mutare, Zimbabwe, Specializing in Public Finance, Public Debt Management 2006/2007 - Bachelors oArts Honours, Univesity of Nairobi, 1993 - Strategic Leadership Development Programme, 2014. Kenya School Of Government Senior Management Course, 2011. Kenya School Of Government - Advance Public Administration, 2006. Kenya School Of Government	50	

Ms Esther W. Njogu	Member	Certificate (presently pursuing a Diploma in County Governance and Public Administration, JKUAT)	57	
Mr. John L. Samorai	Member	<ul style="list-style-type: none"> -Pursuing MBA in JUAT -Bachelor of Health service Management. -Corporate governance training for ENSDA 2016 -Mwongozo induction Programme -Certificate in proposal writing and fundraising -Indigenous peoples rights course 2015 -Leadership training 2010 -Computer literacy -Specialized in community programs management 	32	

III. MANAGEMENT TEAM

	NAME	PROFESSIONAL & ACADEMIC QUALIFICATIONS	MAIN AREA OF RESPONSIBILITY
1.	Mr. Sammy L Naporos	- PhD Development Studies (research on-going) -Masters in Project Management -Bachelor of Business Administration (Accounts)	Managing Director
2.	Mary K. Omwoyo	-PhD (Business Administration-Finance (Research on-going) -MBA – Financial management -Bachelor of Commerce Accounting Option -CPA (K)	Chief Finance Manager
3.	Eng. Isaac Kiiru	-M. Sc Civil Engineering -B.Sc Hon Agric Engineering,	Chief Manager Technical Services & Operations
4.	Daniel L. Saruni	-MBA - Strategic Management - Bachelor of Commerce Marketing Option - Post Graduate Diploma in Human Resource Management - A member of Institute of Human Resource Management (IHRM)	Chief Manager Human Resources & Administration
5.	Richard M. Tankille	-Master of Philosophy in Human Resource Development - Bachelor of Education Arts - A member of Institute of Human Resource Management (IHRM)	Ag. Manager Planning, Research & Development

IV. CHAIRMAN'S STATEMENT

Ewaso Ngiro South Development Authority (ENSDA) has been committed to the implementation of its mandate during the Financial Year 2015/16. Despite challenges of both economic and social nature the Authority managed to make an impressive progress in the financial performance during this period and has to a large extent contributed towards socio-economic growth and livelihoods improvement in the region.

The Board of ENSDA has continued to provide oversight and work together with management to develop strategies and plans for attainment of Authority's mandate, mission and vision. Towards this the Board has played a key role in ensuring that resources availed to the Authority are strategically budgeted for and prudently utilised for intended purposes, thus ensuring efficiency in delivery of results for Kenyans.

In this regard the Authority continued to implement its four key programme areas, namely: improvement of livelihoods of the communities by enhancing resource based investments; formulation of integrated regional development plans in consultation with stakeholders and preparation of resource maps; promotion of natural resources and environmental management and conservation; and promotion of community participation in development. The main focus in implementation of these programmes is to enhance sustainability and equitable benefit sharing from the economic exploitation of resources in the region.

The Authority continued with implementation of phase two of the Tannery and Leather factory. The factory is intended to process 4000 tons of hides and skins annually which will provide a favourable market for livestock farmers, thereby create direct and indirect employment opportunities. In addition, the Authority managed to complete construction of ENSDA Technology Transfer Centre in Transmara. The Centre comprises a milk cooling plant and a demonstration centre for dairy production and value chain focussing on empowering dairy farmers. Other projects undertaken by the Authority include a Water Supply Project in Nyandarua and Catchment Conservation with focus on Mau Forest.

The Authority also continued implementation of the Bamboo propagation and Commercialisation project for conservation and income generation. The project entails establishment of woodlots and bamboo farms for commercial and conservation purposes and value addition through bamboo factory and cottage industries. The project will address environmental conservation issues, create employment and wealth and provide an alternative source Energy.

For the long term economic and environmental sustainability in the region, the Authority has continued to engage development partners and mobilise support for the implementation of the Lower Ewaso Ng'iro Multipurpose Dams Project expected to generate 180 MW, provide water to irrigate over 4,500 ha and conservation among other benefits.

As we close the Financial Year 2015/2016 and enter 2016/2017, I am confident the Board of ENSDA has the capacity to continue providing all that is needed to the management in the delivery of future plans.

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

ENSDA's vision is to be a leading agency in promotion of integrated sustainable and equitable social economic development in the Ewaso Ngiro South River Basin. During the financial year 2015/16, the Authority experienced remarkable growth in assets, project portfolio and development of robust organizational systems which have resulted in improved service delivery. Through community participatory approaches, the Authority has been able to provide innovative solutions to challenges facing communities in the basin.

In the financial year 2015/16, the Authority implemented the following key projects: Ewaso Ngiro Tannery and Leather factory, Bamboo commercialization, Lower Ewaso Ngiro South river multipurpose dam development project, Natural resource data and GIS program, Catchment conservation, riparian protection and rehabilitation programme, Suswa/ Loita - Magadi integrated project, Integrated tea development project, ENSDA technology transfer Centre and Uhuru community water project.

The Ewaso Ngiro Tannery and Leather factory focuses on improving community livelihoods and enhancing GDP growth, employment creation and foreign exchange earnings. In the FY 2015/16 the Authority achieved 80% Construction of Tannery and Leather Factory Building and completed Designs of the Effluent Treatment Plant.

Bamboo commercialization is a key project that is part of the Authority's climate change adaptation programme that will enhance environmental conservation and sustainability. In the FY 2015/16 the Authority established bamboo multiplication centres and planted over 300,000 seedlings.

The Lower Ewaso Ngiro Multipurpose Project is a vision 2030 project. Upon completion the project will result in improved livelihoods and enhanced socio-economic development in the Ewaso Ngiro river basin. Feasibility studies, detail designs and Resettlement Action Plan have been completed. Resource mobilization is on-going.

In enhancing planning and management of natural resources in the basin the Authority is undertaking an Integrated natural resource database management programme. To this end, the resource centre has been constructed. In the FY 2015/16, the natural resource data framework and Spatial Maps of the river basins were done.

To conserve and rehabilitate the degraded water bodies riparian and catchment areas the Authority planted 1.5 million tree seedlings, Protected 40 km of river banks of Njoro, Malewa, Ewaso and Mara rivers.

The Suswa/ Loita - Magadi integrated project focuses on reducing further siltation of Lake Magadi and enhance environmental sustainability. In the FY 2015/16 the Authority developed a floods mitigation Management plan and undertook stakeholder mapping.

The Authority encountered several challenges which limited its full potential performance. These challenges include financing deficit, limited technical capacity, a challenging economic and legal environment among others.

Management is closely working with the Government and other stakeholder to address the above challenges. To this end the management team and the Board is focused on continuously improving

our operational excellence, increase our efficiency and create competitive advantage in executing our mandate.

VI. CORPORATE GOVERNANCE STATEMENT

The Board and the management of Ewaso Ngiro South Development Authority are committed to maintaining the highest standards of corporate governance. In its endeavour to achieve its objectives, the Authority has embraced corporate governance and in this vein transparency is promoted in the practices and processes of recruitment, selection, appointment and induction of Board members among others.

Corporate governance has in effect played a crucial role in the realization of Authority's statutory mandate of promoting integrated sustainable and balanced socio economic development within its area of jurisdiction through: formulation of integrated development plans; undertaking resource mapping and establishment of data banks; promoting conservation of resource and resource based investment; coordination, monitoring and evaluation of development activities and capacity building. The Authority seeks to meet and exceed the expectations of its customers, partners and stakeholders.

The Authority is in compliance with the governance tenets of the recently developed Code of Governance for State Corporations – Mwongozo. As a law abiding corporate citizen, the Authority is living the tenets of the Constitution, 2010, and complying with the provisions of the relevant statutes, for instance, the Public Procurement and Disposal Act 2015, Employment Act, 2007 and the Occupational Safety and Health Act, 2007. The Authority is also ISO 9001: 2008 certified and the Board provides the necessary resources towards effective implementation and continued improvement of the Quality Management System (QMS).

The Authority's Board meets on quarterly basis and comprises 15 members, 10 of whom are independent (inclusive of the Chairperson). The Board has established three (3) Committees namely; Finance and Establishment, Development and Environmental Conservation and Audit and Risk Management Committees. The Board occasionally establishes such ad – hoc Committees as required to deal with matters requiring focused attention. The Board Committees make recommendations to the Board. The Board Chairman provides overall leadership to the Board.

The Board has the responsibility of appointing the Chief Executive Officer (CEO) through a competitive recruitment process. The CEO is responsible for the day to day operations of the organization and serves as the link between the Board and the management.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

As a government institution we acknowledge our responsibility to the environment and to our local communities with whom we work in implementing development projects. The Authority actively recognizes its corporate social responsibilities and participates in community functions and events. In the financial year 2015/2016, the Authority supported and participated in the following community events and functions;

Protection of the Natural Environment

The Authority participated in the Mara day together with other stakeholders in promotion of conservation of the Mau Complex.

Community events

The Authority participated and made financial donations towards hosting of; Education days, Safe motherhood initiative and the International literacy day.

VIII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2016 which show the state of Ewaso Ngiro South River Basin Development Authority's affairs.

Principal activities

The principal activities of the entity are to:

1. To formulate Integrated Basin Development Plans and prepare and update resource maps in consultation with stakeholders
2. To promote management of River Basin natural resources and environmental protection
3. To improve livelihoods of the communities in the basin by enhancing resource based investments
4. To promote community participation in development while ensuring equitable benefit sharing from the economic exploitation of resources within the basin
5. To enhance the coordination, monitoring and evaluation of projects in the basin

Results

The results of the entity for the year ended June 30, 2016 were as set out on page 38.

Directors

The members of the Board of Directors who served during the year are shown on page 3 in line with the Authority's establishing Act of Parliament CAP 447.

Auditors

The Auditor General is responsible for the statutory audit of Ewaso Ngiro South River Basin Development 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.

By Order of the Board

Corporate Secretary

Date:.....

IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Public Finance Management Act, 2012 and the State Corporations Act, require the Directors to prepare financial statements in respect of Ewaso Ngiro South River Basin Development Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year and its operating results for that year. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy its financial position. The Directors are also responsible for safeguarding the assets of the Authority.

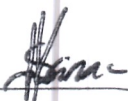
The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2016. This responsibility includes: maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, 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, safeguarding the assets of the Authority, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2016, and of the entity's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained on the Authority, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

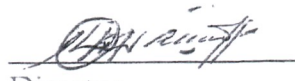
Nothing has come to the attention of the Directors to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Authority's financial statements were approved by the Board on 30th June 2016 and signed on its behalf by:



Director



Director

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
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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 2016

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 16 to 46, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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 misstatements, whether due to fraud or error.

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The Audit was conducted in accordance with International Standards of Supreme Auditing Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of

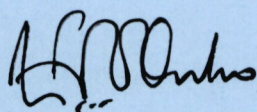
Report of the Auditor-General on the Financial Statements of the Ewaso Ng'iro South River Basin Development Authority for the year ended 30 June 2016

the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 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 Ewaso Ng'iro South River Basin Development Authority as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Ewaso Ng'iro South River Basin Development Authority Act, Cap 447 of the Laws of Kenya.



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

Nairobi

04 July 2017

PART II

**I. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30
JUNE 2016**

	Note	2015-2016 Ksh	2014-2015 Ksh
Revenue from non-exchange transactions			
Government Grants- Development	3(a)	255,441,000	227,400,000
Recurrent	(b)	50,287,649	56,012,471
Small Dams & Pans	(c)	40,000,000	56,291,136
		345,728,649	339,703,607
Revenue from exchange transactions			
Appropriations in Aid (A-in.-A)	4	4,975,808	3,998,924
Total revenue		350,704,457	343,702,531
Expenses			
Staff costs	5	42,477,214	44,599,746
Administration Expenses	6	15,035,270	15,122,442
Board Expenses	7	13,900,718	13,622,160
Small Dams and Pans Expenses	8	39,991,388	66,624,846
Depreciation and amortization expense	9	0.00	9,644,125
Development Expenses	10	141,731,128	147,671,151
Total expenses		253,135,718	297,284,470
Surplus/ Deficit for the period		97,568,739	46,418,061

II. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

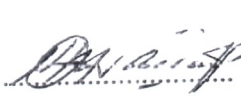
	Note	2015-2016 Ksh	2014-2015 Ksh
Assets			
Current assets			
Cash and cash equivalents	11	71,768,957	28,841,129
Receivables from non-exchange transactions	12	458,600	1,076,500
Prepayments	13	1,429,649	1,997,412
Inventories	14	5,483,300	10,315,212
		79,140,506	42,230,253
Non-current assets			
Work in Progress (W.I.P)	15	82,314,560	58,926,203
Property, plant and equipment	16 & 17	348,320,517	74,662,886
Biological Assets	18	97,700,000	22,523,671
		528,335,077	156,112,760
Total assets		607,475,583	198,343,013
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	19	37,986,738	34,171,250
Non-current liabilities			
Total liabilities		37,986,738	34,171,250
Net assets			
Capital Reserves	20	0	4,122,300
Accumulated Development Fund	21	175,815,416	175,815,416
Accumulated Deficit/Surplus	22	45,352,912	(38,289,624)
Revaluation Reserve	23	348,320,517	22,523,671
Total net assets and liabilities		569,488,845	164,171,763

The Financial Statements set out on pages 12 to 22 were signed on behalf of the Board of Directors by:

The Managing Director

Chairman of the Board

Signature.....

Signature.....

Date...20/04/2017

Date...20.04.2017

III. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016

	Revaluation surplus	Accumulated Development Fund	Accumulated Surplus/Deficit	Capital Reserves	Total
	Ksh	Ksh	Ksh	Ksh	Ksh
Balance as at 30 July 2014	<u>22,523,671</u>	<u>158,658,266</u>	<u>(67,550,535)</u>	<u>4,122,300</u>	<u>117,753,702</u>
Revaluation Surplus/(deficit) for the period	-	-	-	-	-
Transfers to/from accumulated surplus	-	17,157,150	29,260,911	-	46,418,061
Balance as at 30 JUNE 2015	<u>22,523,671</u>	<u>175,815,416</u>	<u>(38,289,624)</u>	<u>4,122,300</u>	<u>164,171,763</u>
Revaluation Surplus for the period	325,796,846	-	-	-	325,796,846
Transfers to/from accumulated surplus	-	-	83,642,536	(4,122,300)	79,520,236
Balance as at 30 JUNE 2016	<u>348,320,517</u>	<u>175,815,416</u>	<u>45,352,912</u>	<u>0.00</u>	<u>569,488,845</u>

IV. STATEMENT OF CASH FLOWS

Cash flows from operating activities	2015-16	2014-15
Cash receipts from GOK Grants REC	50,287,649	56,012,471
Cash receipts from GOK DEV	255,441,000	227,400,000
Cash receipts from GOK PANS & DAMS	40,000,000	56,291,136
Cash receipts from (A I A)	4,975,808	3,998,924
Cash paid to suppliers	(210,403,341)	(182,425,583)
Cash paid to suppliers		(66,624,846)
Cash paid to Board Members	(13,900,718)	(13,622,160)
Administrative		(15,122,442)
Cash paid to employees	(42,477,214)	(44,599,746)
Net cash flow from operating Activities	83,923,184	21,307,754
Cash flows from investing activities		
Acquisition of Assets	(3,680,796)	(45,947,004)
Work in progress	(37,314,560)	(17,157,150)
Net cash flow from investing Activities	(40,995,356)	(63,104,154)
Net increase in cash and cash equivalents	42,927,828	(41,796,400)
Cash and cash equivalents at beginning of period	28,841,129	70,637,525
Cash and cash equivalents at end of period	71,768,957	28,841,125

V. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AS AT 30TH JUNE 2016

	Original budget 2015-2016 Kshs	Adjustments 2015-2016 Kshs	Final budget 2015-2016 Kshs	Actual on comparable basis 2015-2016 Kshs	Performance difference 2015-2016 Kshs
Revenue					
Government Grants- Development	300,941,000	-	300,941,000	255,441,000	45,500,000
- Recurrent	56,012,471	-	56,012,471	50,287,649	5,724,822
-Small dams & pans	40,000,000	-	40,000,000	40,000,000	-
SUB-TOTAL	396,953,471	-	396,953,471	345,728,649	51,224,822
Appropriations in Aid	5,500,000	-	5,500,000	4,975,808	(543,057.00)
Total income	402,453,471	-	402,453,471	350,704,457	51,767,879
Expenses					
Basic Salary	25,496,460	-	25,496,460	23,152,143	2,344,317
Casual Labour	1,500,000	-	1,500,000	592,309	907,691
House Allowance	6,722,400	-	6,722,400	5,455,800	1,266,600
Gratuity	3,716,280	-	3,716,280	2,593,683	1,122,597



	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
Chairman's Honoraria	1,044,000	-	1,044,000	1,044,000	0
Medical Allowance	741,000	-	741,000	753,500	-12,500
Club expenses	480,000	-	480,000	-	480,000
MD's House servant	84,000	-	84,000	-	84,000
Gardener	84,000	-	84,000	-	84,000
Other Allowances	1,380,000	-	1,380,000	1,093,500	286,500
Acting Allowance	142,954	-	142,954	199,120	-56,166
Commuter Allowance	3,888,000	-	3,888,000	3,897,000	-9,000
Leave expenses	480,000	-	480,000	374,000	106,000
Telephone Allowance	1,146,000	-	1,146,000	1,066,500	79,500
Contribution to NSSF	122,400	-	122,400	124,400	-2,000
Employer contribution to pension scheme	3,976,951	-	3,976,951	3,175,259	801,692
Electricity	300,000	-	300,000	492,377	-192,377



	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
Water and Sewerage services	100,000	-	100,000	5,750	94,250
Travel and accommodation	1,000,000	-	1,000,000	117,100	882,900
Publishing & Printing services	1,500,000	-	1,500,000	-	1,500,000
Subscription to magazines & periodicals	200,000	-	200,000	15,840	184,160
Telephone and Fax expenses		-	-	6,000	-6,000
Bank services, commissions & charges		-	-	138,996	-138,996
Legal Awards	608,026	-	608,026	-	608,026
Hospitality supplies and services	800,000	-	800,000	-	800,000
Postal services	100,000	-	100,000	6,960	93,040
Provision of Audit fees	300,000	-	300,000	325,635	-25,635
Sanitary and cleaning materials	1,000,000	-	1,000,000	56,902	943,098



DEVELOPMENT EXPENDITURE						
PERFORMANCE CONTRACT SERVICE DELIVERY & QUALITATIVE INDICATORS						
						0
Records management and digitization	500,000			500,000	-	500,000
Staff wellness program(sports & Teambuilding)	3,000,000			3,000,000	1,066,000	1,340,000
ISO compliance and surveillance audit	2,000,000			2,000,000	1,035,813	964,187
Service delivery Charter	400,000			400,000	-	400,000
Work Environment improvement(furniture & fittings)	2,000,000			2,000,000	310,000	1,690,000
Disability mainstreaming	200,000			200,000	142,400	57,600
Gender mainstreaming	200,000			200,000	45,800	154,200
Drug & substance Abuse sensitization	200,000			200,000	33,500	166,500
HIV/AIDS Prevention	200,000			200,000	30,000	170,000
Corruption Eradication	500,000			500,000	-	500,000
Repairs and maintenance	5,600,000			5,500,000	3,351,689	2,148,311
Fuel and Lubricants	2,000,000			2,000,000	3,781,566	218,434



	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
Utilities and consumables	4,500,000		4,500,000	2,222,618	2,277,382
Legal obligations (court awards)	1,500,000		1,500,000	1,160,483	339,517
Safety Measures	-			34,600	-34,600
Job Evaluation	-			378,277	-378,277
Publicity	-			23,400	-23,400
Casual Labour -Development	-			444,670	-444,670
REGIONAL PLANNING					
Suswa –Magadi shared water Integrated Plan	12,000,000	(2,500,000)	9,500,000	508,711	8,991,289
Lower Ewaso Multi-purpose Project	1,500,000		1,500,000		1,500,000
IT Automation	7,000,000	(2,500,000)	4,500,000	1,055,738	3,444,262
FEASIBILITY STUDIES AND SURVEYS					
Investment projects preliminary surveys	1,000,000		1,000,000	224,000	776,000
Baseline &performance Contract exit surveys.	2,000,000		2,000,000	3,750,600	-1,750,600
Development of Mwongozo Policies	2,000,000		2,000,000		2,000,000



	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
Strategic plan Review	400,000		400,000	-	400,000
Hides and Skin suiveys	2,500,000		2,500,000	-	2,500,000
Project Monitoring and Evaluation	2,000,000		2,000,000	391,800	1,608,200
COMMUNITY EMPOWERMENT AND LIVELIHOOD PROGRAMME					
Tea Project -Shankoe Farm, Keiyian Farm	2,750,000	4,000,000	6,750,000	5,879,975	870,025
Greenhouse (Repair, maintenance & production inputs)	2,000,000	2,000,000	4,000,000	3,427,765	572,235
Shartuka Integrated Project	5,600,000		5,600,000	6,521,706	-921,706
Tannery	50,000,000		50,000,000	7,589,280	42,410,720
Loitokitok Small holder irrigation project	1,500,000	2,000,000	3,500,000	3,089,602	410,398
Ewaso Ng'iro leather factory waste treatment plant Designs.	6,500,000		6,500,000	-	6,500,000
Leather factory Equipment's	7,900,000	(7,900,000)	-	-	-
Construction of Effluent Treatment Plant	20,000,000	(10,000,000)	10,000,000	-	10,000,000
Staff salaries and wages (under projects)	37,000,000		37,000,000	34,522,541	2,477,459



PROTECTION OF WATER BODIES, RIVERBANK AND CATCHMENT CONSERVATION						
	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	
Bamboo processing factory (feasibility studies and designs).	11,000,000		11,000,000	10,986,186	13,814	
Protect a total of 40 km of riparian through planting of 1.5 million tree seedlings.	3,000,000	12,000,000	15,000,000	14,868,763	131,237	
Propagate 300,000 Bamboo seedlings.	6,000,000	(6,000,000)	-	-	0	
Environmental sustainability				129,800	-129,800	
INTEGRATED BASIN BASED PROJECTS						
Integrated River Basin Development (Lower Ewaso)	1,500,000		1,500,000	-	1,500,000	
ORGANIZATIONAL DEVELOPMENT						
Resource mobilization and partnership	5,000,000	5,000,000	10,000,000	8,605,724	1,394,276	
Competency Development	6,819,750		6,819,750	7,026,347	-206,597	
Performance contract-(negotiations, vetting and reporting	1,500,000	1,400,000	2,900,000	2,569,800	330,200	
Regional co-ordination	4,000,000		4,000,000	4,901,083	-901,083	



EWASO NGIRO SOUTH RIVER BASIN DEVELOPMENT AUTHORITY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2016

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
Finance & Stewardship	8,000,000		8,000,000	6,987,300	1,012,700
Development and domestication of M&E, system tools.	3,000,000	(3,000,000)			0
Staff and Board Medical cover	13,000,000		13,000,000	13,464,847	-464,847
Contracted security services	3,600,000		3,600,000	1,685,100	1,914,900
Board Meetings	10,000,000	3,500,000	13,500,000	13,084,018	415,982
Insurance (motor vehicle & group personal accident	3,000,000		3,000,000	3,126,054	-126,054
Small Dams and Pans	40,000,000	-	40,000,000	39,991,388	
SUB- TOTAL	362,782,221	-	362,782,221	253,135,718	109,646,503
Pending Bills	34,171,250		34,171,250	34,171,250	0
TOTAL AMOUNTS	396,953,471	-	396,953,471	287,306,968	109,646,503



VI. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of Compliance and Basis of preparation – IPSAS 1

Ewaso Ng'iro South River Basin Development Authority financial statements have been prepared in compliance with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity. In the preparation of Financial Statement the figures are rounded to the nearest Shilling. 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 accrual method. The financial statements are prepared on accrual basis.

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Government grants, Donor funds and Appropriation in Aid

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

Transfers from other government entities

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

Sale of goods

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

b) Budget information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there is no basis, timing or entity differences that would

require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Investment property – IPSAS 16

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

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

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

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

d) Property, Plant and Equipment – IPSAS 17

All Property, Plant and Equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated on reducing balance method. Depreciation relating to assets acquired during the year is tabulated on pro-rata basis. The annual depreciation rates used were;

Motor vehicle	25%
Furniture, fitting and Equipment	12.5%
Buildings Permanent Non Residential	2%
Buildings Semi Permanent Non Residential	12.5%
Buildings Permanent Residential	2%
Computers and related accessories	30%
Loose Tools	33.33%

Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its 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.

e) Revaluation of Assets – IPSAS 17 (44-58)

Under IPSAS 17, an entity shall choose either the cost model or the revaluation model in assets recognition. Revaluation model underscores that after recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued

ount, being its fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment loss. Revaluations shall be made with sufficient regularity to ensure that carrying amount shall not differ materially from that which would be determined by fair value at the reporting date.

The Authority during F/Y 2015/2016 undertook revaluation of all its assets for all the classes using a professional valuer and the accounting treatments of revaluation done as per the guidelines of this IPSAS and revalued amounts adopted in this year's report after subsequent approval from the Board.

f) Biological Assets – IPSAS 27

The Biological Assets (Tea Bushes) are valued at fair value over economic life duration of lease of the land under tea bushes in line with IPSAS 27.

g) Work in Progress – IPSAS 11

This relates to construction of long term assets. Construction Work in Progress is recorded at the accumulated costs incurred until the asset is placed into service. Costs are recognised in proportion to the stage of completion of contract activity.

h) Leases – IPSAS 13

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

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

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

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

i) Intangible assets – IPSAS 31

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

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

j) Research and Development costs

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

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

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

k) Financial instruments – IPSAS 29

Financial risk management measures

Liquidity risk

The Authority experiences delay in release of funds from exchequer from time to time. To hedge against this, the Authority only makes financial commitments on approved budget.

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

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

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or a entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

l) Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

IPSAS 29.65

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

m) Inventories – IPSAS 12

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

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

- Raw materials: purchase cost using the weighted average cost method

➤ Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

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

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

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

n) Provisions – IPSAS 19

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance or of any Reimbursement.

Contingent liabilities

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

Contingent assets

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

o) Nature and purpose of reserves

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

Entity maintains the following reserves:

1. Land
2. Capital Reserves

p) Changes in accounting policies and estimates – IPSAS 3

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

q) Employee benefits – IPSAS 25

Retirement benefit plans

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

Borrowing costs – IPSAS 5

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. All 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.

s) Related parties – IPSAS 20

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

t) Cash and cash equivalents

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

u) Comparative figures

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

v) Significant judgments and sources of estimation uncertainty – IPSAS 1

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

Judgements, estimates and assumptions made in preparing these financial statements are:

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may

change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140



Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material

Provision is made for audit fee to be incurred on auditing the financial statements. The provision is based on the advice of the Kenya National Audit Office.

The annual increase in the provision for depreciation on plant, property and equipment due to passage wear and tear is recognized as an expense in the statement of financial performance.

w) Subsequent events – IPSAS 14

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. Government grants

	2015-2016	2014-2015
	Ksh.	Ksh.
a) Development	255,441,000	227,400,000
b) Recurrent	50,287,649	56,012,471
c) Small dams and pans	40,000,000	56,291,136
Total government grants revenue	<u>345,728,649</u>	<u>339,703,607</u>

4. Revenue from exchange transactions

	2015-2016	2014-2015
	Ksh.	Ksh.
Sale of horticultural products	716,570	720,830
Sale of green tea leaves	4,141,128	2,084,052
Sale of Bamboo seedlings	99,245	0.00
Sale of tree seedlings	18,865	680,535
A.I services	0.00	44,530
Sale of Water	0.00	7,000
Tractor transport services	0.00	341,977
Sale of tenders	0.00	120,000
Total	<u>4,975,808</u>	<u>3,998,924</u>

5. Staff costs

	2015-2016	2014-2015
	Ksh.	Ksh.
Basic Salary	23,152,143	24,696,311
House Allowance	5,455,800	4,808,300
Medical Allowance	753,500	769,500
Other Allowances	1,093,500	1,053,700.00
Acting Allowance	199,120	66,971
Commuter Allowance	3,897,000	4,072,000
Leave expenses	374,000	492,792
Benefits (Airtime)	1,066,500	1,469,500
Employer contribution to pension scheme	3,175,259	3,244,067
NSSF Employer Contribution	124,400	126,200
Gratuity	2,593,683	3,552,246
Casual Labour	592,309	248,159
Total Staff Costs	<u>42,477,214</u>	<u>44,599,746</u>

6. Administrative cost

Electricity	192,377	491,721
Water & sewerage services	5,750	11,475
Telephone & Fax Expenses	6,000	0
Courier & Postal services	6,960	75,319
Subscription to newspapers	15,840	142,711
Extraneous Allowance	227,300	0.00
Travel & Accommodation	117,100	792,150
General office supplies	2,222,618	0
Provision for audit fees	325,635	5,896,078
Legal fees	1,160,483	325,635
Maintenance of building	3,351,689	0
Maintenance of office furniture & Equipment	0	39,200
Sanitary and cleaning materials	56,902	0
Group personal Insurance	1,779,246	48,564
Building Insurance	158,761	781,495
Board Insurance	0	108,599
Motor vehicle insurance	849,047	0
Workmen's compensation	339,000	1,746,061
Fuel & Lubricants	3,781,567	470,745
Travel costs	0	4,006,345
Bank charges	138,995	0
		186,344
Total administrative costs	<u>15,035,270</u>	<u>15,122,442</u>

7. Board Expenses

Honoraria	1,044,000	1,044,000
Night out Allowance	4,630,000	4,493,200
Lunch Allowance	1,236,680	556,000
Mileage Allowance	1,052,069	1,280,500
Sitting Allowance	5,376,000	5,766,000
Administrative costs (Board Training)	561,969	482,460
Total Board Expenses	<u>13,900,718</u>	<u>13,622,160</u>

8. Small dams & Pans Expenses

Monitoring, Supervision & Evaluation	0	3,813,307
Community Mobilisation	0	1,235,132
Construction of Small dams & Water pans	39,991,388	61,576,407
Total Amount	<u>39,991,388</u>	<u>66,624,846</u>

9. Depreciation & Amortization expenses

	2015-2016	2014-2015
	Ksh.	Ksh.
Motor vehicle	0	5,807,084
Furniture fittings & Equipment	0	1,534,218
Buildings Permanent (NRS)	0	565,032
Buildings Semi-Permanent (NRS)	0	615,707
Buildings Permanent (RS)	0	4,094
Computers & Related Accessories	0	1,114,481
Loose tools	0	3,508
Total Depreciation and Amortization Expenses	0	<u>9,644,125</u>

NB: Revaluation model was adopted in determining fair values of assets hence there was no depreciation

10. Development Expenses

	Ksh.	Ksh.
Performance contract	2,569,800	3,530,570
Feasibility/pre-feasibility studies	224,000	0
Environmental Sustainability	129,800	751,200
Monitoring & Evaluation	391,800	3,698,224
ICT Development	1,055,738	3,086,621
Integrated tea development project	5,879,975	7,372,535
Water projects designs & Development	6,179,204	6,571,568
Integrated livestock development project-Shartuka	3,432,104	1,783,926
Integrated Horticulture Farming - Greenhouse	3,427,765	575,836
Integrated Tannery	7,589,280	2,430,871
Environmental Conservation & River banks protection	14,868,763	5,704,846
Bamboo commercialization	10,986,186	0.00
Suswa- Magadi integrated project	508,711	0.00
Institutional Development		
Regional coordination and Development	4,901,083	8,048,445
Publicity	23,400	5,293,650
Medical Scheme	13,464,847	11,017,131
Team Building	1,066,000	2,845,480
Finance & Stewardship	6,987,300	6,418,746
Job Evaluation and Analysis	378,277	4,287,700
Baseline Survey	3,750,600	3,601,356
Resource mobilization	8,605,724	13,554,538
ISO Certification	1,035,813	5,723,549
Competency Development	7,026,347	7,133,992
HIV Aid Management	30,000	0.00
Safety Measures	34,600	0.00
Disability Mainstreaming	142,400	0.00
Gender Mainstreaming	45,800	0.00

Work Environment	310,000	0.00
Substance and Drugs controls	33,500	0.00
Security Services	1,685,100	
Casual Labour- Development	444,670	
Project Staff Salaries	34,522,541	33,895,467
Project Administrative costs	0.00	10,344,900
Total Development Expenses	<u>141,731,128</u>	<u>147,671,151</u>

11. Cash & Cash Equivalents

	2015-2016 Ksh.	2014-2015 Ksh.
Cash in hand	0.00	0.00
Rec a/c No. 01003041548100 - NBK Narok	17,101,746.95	2,301,483.30
Dev a/c No. 01003041548101 NBK - Narok	50,050,331.75	22,206,878.85
Farm a/c No. 01003041548102 NBK - Narok	317,004.10	2,938,819.10
ESP a/c No. 01003041548104 NBK - Narok	2,815,868.25	203,162.25
Dev a/c No. 01003041548105 NBK - Nakuru	4,818.50	16,813.50
COMIFORM a/c 01003042125600	36,926.00	41,876.00
Kilgoris Co-op a/c 01141018229500	1,208,844.30	688,256.55
Kilgoris Co-op a/c 01141018229501	989.10	281,744.10
Loitokitok KCB a/c 1132205514	1,560.00	39,550.00
Olkalau Co-op a/c 01141018229503	48,000	111,767.75
Kajiado Co-op a/c 01141018229502	182,867.75	10,777.30
Total Amount	<u>71,768,956.70</u>	<u>28,841,129</u>

12. Receivables from non-exchange Transactions

Imprest outs tanding	149,200	517,100
Toyota East Africa Limited	284,400	284,400
Sales Debtors (Bamboo Seedlings)	25,000	275,000
Total	<u>458,600</u>	<u>1,076,500</u>

13. Prepayments

Power deposit	38,000	38,000
CIC Insurance	681,871	1,268,906
Leasehold Land	408,000	408,000
Total Kenya	301,778	282,406
Total	<u>1,429,649</u>	<u>1,997,412</u>

14. Inventories

Tree seedlings (Bamboo)	1,666,470	1,223,001
Tree seedlings	136,455	142,211
Stores & inventory	3,680,375	1
Tea Seedlings	0.00	8,950,001
Total Inventories	<u>5,483,300</u>	<u>10,315,211</u>

15. Work in Progress (WIP)

Milk cooling plant construction	0.00	13,926,201
Tannery Construction	82,314,560	45,000,001
Total WIP	<u>82,314,560</u>	<u>58,926,201</u>

16. Property, Plant & Equipment – ASSET MOVEMENT SCHEDULE FOR YEAR ENDED 30TH JUNE 2015

	LAND	M/V	BUILDINGS		BUILDINGS		BUILDING		COMPUTERS & RELATED ACCESSORIES	LOOSE TOOLS	TOTAL KSH.
			PERMANENT NRS	SEMI PERM. NRS	PERM. RESIDENTIAL						
		25%	12.5%	12.5%	2.0%	2.0%	30.0%	33.3%			
	KSHS.	KSHS.\	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.
TOTAL ASSET COST (1)	11,697,500.00	44,255,237.00	12,674,509.00	21,474,080.00	16,512,723.00	270,952.00	10,246,124.00	1,176,395.00			118,307,520.00
ADDITIONS 2014/2015			6,639,150.00	9,945,000.00			573,000.00				17,157,150.00
T ASSETS AS AT 30/6/2015	11,697,500.00	44,255,237.00	19,313,659.00	31,419,080.00	16,512,723.00	270,952.00	10,819,124.00	1,176,395.00			135,464,670.00
DEPRECIATION B/F	0.00	21,026,901.00	7,039,912.00	3,167,474.00	11,587,066.00	66,259.00	7,104,187.00	1,165,859.00			51,157,658.00
DEP ON DISPOSAL			-								-
DEPREC. FOR THE YEAR	0.00	5,807,084.00	1,534,218.00	565,032.00	615,707.00	4,094.00	1,114,481.00	3,508.00			9,644,125.00
TOTAL DEPRECIATION (2)	0.00	26,833,985.00	8,574,130.00	3,732,506.00	12,202,773.00	70,353.00	8,218,668.00	1,169,368.00			60,801,783.00
N.B.V. 2014/2015	11,697,500.00	17,421,252.00	10,739,5289.00	27,686,573.00	4,309,950.00	200,599.00	2,600,456.00	7,027.00			74,662,886.00
N.B.V. 2013/2014	11,697,500.00	23,228,336.00	5,634,597.00	18,306,605.00	4,925,657.00	204,693.00	3,141,937.00	10,536.00			67,149,862

17. Property, Plant & Equipment – ASSET MOVEMENT SCHEDULE FOR YEAR ENDED 30TH JUNE 2016

	LAND	M/V	BUILDINGS		BUILDINGS		BUILDING		COMPUTERS & RELATED ACCESSORIES	LOOSE TOOLS	TOTAL
			PERMANENT	SEMI PERM.	PERM.	RESIDENTIAL					
			NRS	NRS							
		25%	2.0%	12.5%	2.0%				30.0%	33.3%	
	KSHS.	KSHS.\	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.
TOTAL ASSET COST (1)	11,697,500.00	44,255,237.00	31,419,080.00	16,512,723.00	270,952.00	10,819,124.00	1,176,395.00	135,464,670.00			
GAIN ON REVALUATION	169,602,500.00	7,076,484.00	20,277,536.00	11,364,775.00	403,415.00	1,875,887.00	137,305.00	212,855,847.00			
T. ASSETS AS AT 30/6/2016	181,300,000.00	51,331,721	51,696,616.00	27,877,498.00	674,367.00	12,695,011	1,313,700	348,320,517			
N.B.V. 2015/2016	181,300,000.00	51,331,721	51,696,616.00	27,877,498.00	674,367.00	12,695,011	1,313,700	348,320,517			
N.B.V. 2014/2015	11,697,500.00	17,421,252.00	27,686,573.00	4,309,950.00	200,599.00	2,600,456.00	7,027.00	74,662,886.00			



18. Biological Assets

	2015-2016 Kshs.	2014-2015 Kshs.
Olkalau Trees	13,000,000	0
Keyian	27,000,000	14,935,000
Shankoe	40,000,000	7,588,671
Shartuka Trees	1,700,000	0
Narok Hqs Biological assets	16,000,000	0
Total Amount	<u>97,700,000</u>	<u>22,523,671</u>

19. Trade & Other payables from exchange Transactions

Development Creditors	37,986,738	13,065,944
Small Dams & Pans Creditors	0.00	21,105,306
Total Amount	<u>37,986,738</u>	<u>34,171,250</u>

20. Capital Reserve

This amount represents the amount of land and furniture donated to the Authority by the government.

Land	0.00	4,097,500
Furniture	0.00	24,800
Total Amount	<u>0.00</u>	<u>4,122,300</u>

21. Accumulated Development Funds

This is an accumulated amount since inception of the Authority. The amount was used to finance some of the Authority's assets.

175,815,416 175,815,416

22. Accumulated Deficit

This is the accumulated excess of expenditure over income since the inception of the Authority to 30th June 2015

45,352,912 (38,289,624)

23. Revaluation Reserve

The value of tea bushes at the Authority demonstration farm at Keyian and Shankoe stands at **Ksh. 97,700,000** as at 30th June 2016.

Keyian Tea bushes		14,935,000
Shankoe Tea bushes	14,935,000	7,588,671
	7,588,671	
Olkalau Trees	13,000,000	0.00
Shartuka Trees	1,700,000	0.00
Narok Hqs Biological assets	16,000,000	0.00
Asset Valuation	<u>97,700,000</u>	<u>22,523,671</u>

24. Related Party Transactions

Key Management personnel remuneration	14,354,768	14,354,768
Board Sitting Allowances	5,766,000	5,766,000
Chairman's Honoraria	1,044,000	1,044,000
Total Amount	<u>15,404,534</u>	<u>15,404,534</u>

VII. PERFORMANCE RESULTS FOR THE FINANCIAL YEAR 2015/16

1. Lower Ewaso Ng'iro Multi-purpose Project

This project is a vision 2030 project and long term National Development strategy whose aim is to accelerate the rate of National Economic Growth by adding 180MW of power to the National Grid and improve the livelihoods through water supply for domestic and livestock and irrigation development.

The project will be located in Ewaso Ng'iro South river within Narok and Kajiado Counties. It entails construction of Amala water transfer, 3 cascaded dams to generate hydro power, irrigation development, water supply for domestic and livestock, promote environmental conservation and eco-tourism development.

The project on completion will have great impact as indicated below;

- Hydro-power generation : 180MW
- Food security : Irrigation of 4,500Ha and fish farming
- Water supply : water supply to over 350,000 equivalent inhabitants
- Environmental conservation : Conservation of approximately 3,000 Ha of catchment areas in Mau forest

In FY 2015/2016 the Authority achieved the following;

- i. Finalized development of the Resettlement Action Plan
- ii. Held 3 consultative meetings at the project level to build consensus on emerging issues.

2. Establishment of the Tannery & Leather Factory

The Authority is implementing Ewaso Ng'iro Tannery and Leather Factory which is located at Ewaso Ng'iro centre in Narok County. The project key objective is to improve livelihoods and enhance socio-economic development through livestock by-product value addition, industrialization and employment creation. This project will utilize hides and skin for production of leather, which mostly is left to waste or fetch very low prices. The project components include:

1. Construction of Tannery and Leather Factory (3,200sqm) with a capacity of processing 4,000 tonnes of hides and skins annually
2. Construction of Effluent Treatment Plant
3. Equipping of the Tannery and Leather Factory
4. Establishment of collection Centers

In FY 2015/2016 the Authority achieved the following;

- i. Developed detailed designs for the Tannery Effluent Treatment Plant
- ii. Construction of main factory building (80% complete)

3. Natural Resource Data and GIS Project

The project objective is to enhance effective planning and management of resources in the River Basin. In FY 2015/16 the Authority developed Natural Resources Spatial maps of Ewaso Ngiro South River Basin.

4. Suswa- Lake Magadi Integrated Sediment Management project.

The Authority is implementing Suswa-Lake Magadi integrated sediment control management project with the main objective of restoring the Lake Magadi ecosystem and rehabilitation of degraded catchment areas for sustainable socio-economic development. During the last decade, both the depth and area of Lake Magadi has decreased tremendously. This has been as a result of deposition of sediments into the lake that has been ongoing for several years.

Kenya is the largest producer of soda ash in Africa and the third largest natural soda ash producer in the World. The factory exports 90% of the product outside the country earning over **US\$90 million** annually in revenue, employs over 600 people on permanent and term contracts. Indirectly, the resource is a source of livelihood to over 30,000 local residents through water provision, education, health services and support for small and medium enterprises.

In FY 2015/2016 the Authority achieved the following;

- i. Stakeholders mapping and consultative meetings
- ii. Developed a broad-based collaborative management framework and utilization plan

5. Bamboo Commercialization

ENSDA is promoting bamboo commercialization and value addition with the objective of employment creation and enhancing sustainable environmental conservation in Mau and Aberdare forests. The project entails;

- i) Establishment of bamboo propagation and multiplication centers,
- ii) Establishment of bamboo nuclear plantation,
- iii) Out-growers development and
- iv) Establishment of bamboo processing plant for value addition

In FY 2015/2016, the Authority undertook establishment of bamboo multiplication centres, outgrowers development and bamboo propagation. The Authority had a target of propagating 300,000 bamboo seedlings. The Authority achieved this target through the engagement of organised community groups and internal propagation.

6. Environmental Conservation and Rehabilitation Project

Soils, water and forest, together with their subsequent impacts on livelihoods, cannot easily be separated or managed independently of one another. This implies that co-ordinated and integrated planning of these resources can only be effectively and efficiently managed within the river basin.

The Authority is implementing environmental conservation and rehabilitation programme. The project covers 5 major classified rivers; Ewaso Ng'iro South river, Narok river, Mara river, Malewa and Njoro river. The main objective of this project is to enhance environmental conservation, catchment rehabilitation and protection of river banks.

In FY 2015/16, the Authority in collaboration with other stakeholders protected a total of 40Km of riparian through planting of 1.5 Million tree seedlings along Ewaso Ng'iro, Narok, Mara, Njoro and Malewa rivers.

7. Loitokitok Small Holder Irrigation Programme

This programme is being implemented by the Authority in Loitokitok, Kajiado County. The main objective is to enhance food security and resilience to climate change in the region. Several schemes exist in the area and the current technology of water diversion and conveyance is simple and rudimentary mainly using earthen canals and structures. During the rainy season, water overtops the river banks causing serious destruction and flooding within the farms. The Authority has supported Iltilal smallholder irrigation scheme in the area by lining of 3.6km of canals, construction of water intakes and spring protection. The project increased area under irrigation from 40ha to 250Ha and has benefitted over 150 households.

In FY 2015/16, the Authority developed preliminary designs for improving water conveyance system in Ilchalai irrigation scheme.

8. Shartuka Integrated Livestock development project

Shartuka Integrated Livestock Development project is located in Kilgoris of Narok County. The project main objective is to transfer modern dairy technology to the community to improve their income. The project components include;

1. **Artificial Insemination:** To improve genetic traits of cattle for increased productivity. Over 110 calves delivered to date.
2. **Establishment of milk collection and cooling plant** to improve marketing and prices of milk. Constructed and equipped a milk cooling plant with a capacity of 10,000lit per day and formed a dairy cooperative.
3. **Improved dairy farming technology:** Demonstration on modern technology on feeds

In FY 2015/2016 the Authority completed construction of the Auxiliary and civil works (perimeter fence, access roads, water reticulation, drive ways and site drainage). The project is now ready for commissioning and operation.

9. Integrated Tea development project

Integrated tea development project was started in 2005 and is located in Transmara, Narok County. The main reason for initiating tea farming was an innovation strategy to bring lasting solution to the inter community conflict among the Kisii and the Maasai living along the Transmara and Kisii border. Authority farms were established along the border thus providing a source of income and employment in the area hence reducing conflict. A total of 320 acres of tea farms have been established and the Authority is expanding the tea production area to meet threshold for establishment of a tea factory.

In FY 2015/2016 the Authority increased tea bushes and tea cover by Acres and continues to manage the existing farms.

10. Uhuru Water project

Uhuru water project is located in Upper Gilgil Sub-location in Mirangine Sub-County of Nyandarua County. The project main aim is to provide clean potable water to the local residents. 2No. masonry tanks each with a capacity of 50m³ and laying of 2.5km of pipeline have been completed.

In FY 2015/2016 the Authority carried out inspection of all installations, completed all pending works and replaced electric control panel for the project. The project is now ready for commissioning.