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REPORT

OF

THE AUDITOR-GENERAL

ON

**KERIO VALLEY DEVELOPMENT
AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE, 2022**

KERIO VALLEY DEVELOPMENT AUTHORITY

Annual Reports and Financial Statements

For the year ended June 30, 2022.



KERIO VALLEY DEVELOPMENT AUTHORITY

**ANNUAL REPORT AND FINANCIAL
STATEMENTS**

FOR THE FINANCIAL YEAR ENDING

JUNE 30, 2022

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

OFFICE OF THE AUDITOR -GENERAL
CENTRAL RIFT REGIONAL OFFICE

23 MAR 2023

RECEIVED

P. O. Box 2774 - 30100, ELDORET

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1.0 KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Authority was established on the 31st of August 1979 through an Act of Parliament Chapter 441 of the Laws of Kenya. The entity is domiciled in Kenya, and it covers Five counties namely Samburu, Baringo, Elgeyo Marakwet, West Pokot, Turkana and parts of Nakuru and Marsabit counties and is mandated to plan and coordinate the implementation of development projects in the Kerio and Turkwel river basins.

(b) Principal Activities

Vision Statement: A prosperous, Green and Conflict Free Society

Mission Statement: To promote conservation and sustainable management of River Basin Based Natural Resources through Integrated Development for Improvement of Livelihoods.

Core Values:

Integrity	As an Authority we will be sincere and uncompromising in serving the public.
Respectful	We will serve people with courtesy and fairness.
Accountability	We will conduct business in a transparent and accountable manner.
Teamwork	We will operate and work together for the common good of the people.
Creativity & Innovation &	We will nurture and adopt new technologies in our operations.
Customer Focus	We will endeavour to understand our customers' needs and consistently strive to satisfy them.

(c) Key Management

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

- Board of Directors
- Managing Director
- Management

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(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

No	Designation	Name
1.	Managing Director	Mr. Sammy Naporos
2.	Head of Planning	Mr. David Onyango
3.	Head of Business	Mr. Samuel Kosgei
4.	Head of Technical Services	Mr. Daniel Kimutai
5.	Head of Finance & Admin	Mr. Moses Kipchumba
6.	Head of Supply Chain Management	Mr. Antony Lunani
7.	Head of Corporate Communication	Ms. Carolyne Chemitei
8.	Head of Internal Audit	Mr. Peter Kurui
9.	Head of Legal Services	Ms. Gertrude Mabele

e) Fiduciary Oversight Arrangements

- To plan for the development of the Area of jurisdiction and initiate project activities identified for such planning through the Government,
- To develop and keep up to date a long-range development plan for the Area,
- To initiate such studies and to carry out such surveys of the Area as may be considered necessary by the Government or by the Authority and to assess alternative demands within the Area on the resources thereof, including agriculture (both irrigated and rain-fed) forestry, wildlife and tourism industries, electric power generation, mining and fishing and to recommend economic priorities,
- To co-ordinate the various studies of, and schemes within, the Area so that human, water, animal, land and other resources are utilized to the best advantage and to monitor the design and execution of planned projects within the Area,
- To effect a program of both monitoring and evaluating of projects within the Area so as to improve that performance and establish responsibility therefore and to improve future planning,
- To co-ordinate the present abstraction and use and the planned abstraction and use of the natural resources especially water and set up an effective monitoring of abstraction and usage,
- To cause the construction of any works necessary for the protection and utilization of the water and soils of the Area,
- To ensure that the landowners in the Area undertake all the measures specified by the Authority to protect the water and soils of the Area,
- To identify, assemble and correlate all the data related to the use of water and other resources within the Area as may be necessary for the efficient forward planning of the Area,
- To maintain a liaison between the Government, the private sector and other agencies in the matter of the development of the Area with a view to limiting the duplication of effort and ensuring the best use of technical resource.

f) Committees of the Board

The Board has the following Committees namely:

Audit and Risk Management Committee

The Committee is responsible for ensuring that internal control functions are effectively followed; oversee internal audit function are effectively followed; oversee Audit's work-plan is executed; ensure compliance to legal and statutory requirements; assess audit risks portfolio of the organization; review external reports and ensure recommended actions are addressed; Ensure Audit charter and risk management policies are in place and up to date.

The members of this Committee are:

- 1) Hon. Philip Rotino - Chairman
- 2) Mr. Dennis Wabwire - Member
- 3) Mr. Isaac Odek - Member
- 4) Mr. David Komen - Member
- 5) Mr. Peter Kurui - MIA (Secretary)

The Audit and Risk Management Committee meets quarterly and during the financial year under review, the Audit Committee held three meetings.

Finance Committee

The Finance Committee is responsible for Authority's budget, work plans, and procurement plans and forward the same for Board's approval; prioritization and allocation of financial resources for projects; financial reporting on income and expenditure accounts, proposed and actual budget expenditure, project cost versus completion status, variance trends that may have material effect on institution's financial health, compliance to accounting policies and standards and also to statutory and regulatory procedures of the Authority.

The members of this Committee are:

- 1) Mrs. Susan Chesinya - Chair-Person
- 2) Ms. Pauline Lenguris - Member
- 3) Mrs. Grace W. Were - Member
- 4) Mr. David Komen - Member
- 5) Mr. Mohammed Jabane - Member
- 6) Mr. Sammy Naporos - MD (Secretary)

During the financial year under review, the Finance Committee met three times.

Development and Environment Committee

The Committee is responsible for identification, prioritization and recommendation (from the master plan and Strategic Plan) for approval of investment projects; Consider and recommend approval of project budget and work-plans; Report on quality of works in projects; Report on project status; Report on project evaluation process and indicate whether there is value for money and ensure and report on compliance to all relevant policies, laws and regulations for development of projects.

The members of this Committee are:

- 1) Mr. Adan Omar - Chairman
- 2) Mrs. Francisca Ereng - Member
- 3) Hon. Leonard Sang - Member
- 4) Mr. Sammy Naporos - MD (Secretary)

The Committee met three times in the financial year under review.

Human Resources Committee

The Committee is responsible for:- Overseeing and reporting on HR management and development issues regarding recruitment, selection, discipline, retirement and compensation; consider and advice Management on legal matters related to the Authority; and Performance Contract ; progress and status.

The members of this Committee are:

- 1) Mr. Andrew Karumbo - Chairman
- 2) Mrs. Dina Chelanga - Member
- 3) Mr. Douglas Njeru - Member
- 4) Mr. Sammy Naporos - MD (Secretary)

During the financial year under review, the Committee met thrice.

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g) Entity Headquarters

Physical Address and Contacts

Headquarters

KVDA Plaza, 13th Floor,
Oloo Street,
P.O. Box 2660- 30100,
Eldoret.

h) Entity Contacts

Tel: 053-2063361/3 Fax 2063364

Email: info@kvda.go.ke

Website: www.kvda.go.ke

i) Entity Bankers

Kenya Commercial Bank,
Kencom House,
P.O. Box 48400-00100,
Nairobi.




j) Independent Auditors

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

k) Principal Legal Adviser

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




2.0 THE BOARD OF DIRECTORS

Ref	Directors	Details
1.	 <p>Mr Mark Chesergon Holds Masters in Business Administration (MBA) Finance & Accounting option.</p>	<p>Year of Birth: 1982 Appointed 28/10/2021.</p> <p>Holds master’s in business administration (MBA) Finance & Accounting option.</p> <p>He is the Chairperson of the Board.</p>
2.	 <p>Mrs. Dinah Chelanga Holds Higher Diploma in Psychology & Counselling</p>	<p>Year of Birth: 1968 Appointed on 20/09/2018.</p> <p>Holds Higher Diploma in Psychology & Counselling. Dinah is an independent Director and Vice Chair of the Board of Directors.</p>
3.	 <p>Mr. Andrew Karumbo Holds BCOM from UoN, CPS(K), CPA(K).</p>	<p>Year of Birth: 1978 Appointed on 7/2/2019.</p> <p>Holds Bachelor of Commerce (BCOM), CPS(K), CPA(K). Andrew is an Independent Director and Chair of the Human Resource Committee.</p>

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4.	 <p>Mr. Mohammed Jabane Holds MA (International Relations), BA (Political Science) both UoN, and Advanced Public Relations.</p>	<p>Year of Birth: 1964 Appointed on 17/10/2015.</p> <p>Holds Masters in International Relations, Bachelors in Political Science, and Certificate in Strategic Leadership and Advanced Public Relations. Alternate Director to Chief of Staff and Head of Public Service</p>
5.	 <p>Mrs. Francisca Ereng Holds BA (Development Studies), Diploma (Community Development & Social studies)</p>	<p>Year of Birth: 1973 Appointed on 7/2/2019.</p> <p>Holds Bachelors in Development Studies and a Diploma in Community Development & Social studies).</p> <p>Francisca is an independent Director.</p>
6.	 <p>Ms Grace W. Were Holds MA (PPM), BA (CP)</p>	<p>Year of Birth: 1969 Appointed 7/2/2019.</p> <p>Holds Masters in Project Planning & Management and Bachelor of Arts.</p> <p>Grace is an Independent Director.</p>

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7.	 <p>Mr. Douglas Njeru Holds Masters in Strategic Management</p>	<p>Year of Birth: 1967 Appointed 7/9/2020.</p> <p>Holds Masters in Strategic Management</p> <p>Alt. Director to P.S, Min of East African Community and Regional Development</p>
8.	 <p>Mrs Susan Chesiyana Board Member . Holds BA in Education Psychology and Dip in Education Psychology.</p>	<p>Year of Birth: 1967 Appointed 7/2/19.</p> <p>Holds BA in Education Psychology and Diploma in Education Psychology.</p> <p>Independent Director and Chairs the Finance Committee.</p>
9.	 <p>Mr. Dennis Wabwire Holds Masters in Law, Bachelors in-law & Diploma, Kenya school of Law</p>	<p>Year of Birth: 1981</p> <p>Holds Masters in Law, Bachelors in-law & Diploma, Kenya school of law.</p> <p>Senior Counsel and Alternate Director to Attorney General.</p>

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<p>10.</p>	 <p>Ms Pauline Lenguris Holds BA Development Studies, Diploma- Development Education.</p>	<p>Year of Birth: 1976 Appointed 7/2/19.</p> <p>Holds Bachelor of Arts in Development Studies Diploma in Development Education.</p> <p>She is an Independent Director.</p>
<p>11.</p>	 <p>Hon. Philip Rotino Holds Masters Degree in International Development, Masters Degree Rural Economics and Extension Education</p>	<p>Year of Birth: 1959 Appointed on 5th July 2019.</p> <p>Holds Masters Degree in International Development, Masters Degree Rural Economics and Extension Education.</p> <p>He is an Independent Director and Chairman of Audit and Risk Committee.</p>
<p>12.</p>	 <p>Dr. Joseph Rotumoi. Holds PhD in Educational Comm., Post Graduate Dip in HR; Masters in Education.</p>	<p>Year of Birth: 1966 Appointed 20/09/2018.</p> <p>Holds PhD, Masters in International Development Rural Economics and Extension Education; Post Graduate Diploma in HR.</p> <p>He is an Independent Director.</p>

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13.	 <p>Mr. Adan Omar On-going PhD in Leadership and Governance. Holds a MBA (Strategic Mngt) , B.Ed ; Dip</p>	<p>Year of Birth: 1978 Appointed 7/2/2019.</p> <p>On-going PhD in Leadership and Governance. Holds a MBA (Strategic Mgt) from KU, B.Ed – Kampala Intl Univ; Dip – Kenya Science.</p> <p>He is an Independent Director and chairman of the Development and Environment committee.</p>
14.	 <p>Mr David Komen Holds MSc, BA (Economics)</p>	<p>Year of birth 1965 Appointed on 5/5/2021.</p> <p>Holds MSc. University of Brandford United Kingdom, BA Economics UoN, S. A. Director National Treasury, Alt Director KEMRI, Economist Ministry of Planning. Alt. Director, P.S. The National Treasury.</p>
15.	 <p>Mr. Isaac Omondi Odek Holds MBA Finance and B.ED Business & Economics</p>	<p>Year of birth 1965 Appointed 2/2/2021</p> <p>Holds MBA Finance and B.ED Business & Economics</p> <p>Isaac is the Alt representative to the inspectorate of State corporations.</p>



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16.	 <p>Mr. Saruni Lelaona Holds MBA (Finance), Bachelor of Commerce (Finance), Certified Public Accountant (CPA-K)</p>	<p>Year of birth 04/11/1984 Appointed 06/10/2021.</p> <p>Holds Masters in Business Administration (Finance), Bachelor of Commerce (Finance), Certified Public Accountant (CPA-K)</p> <p>He is an independent director.</p>
17.	 <p>Hon. Leonard Sang Holds BSc in Public Health, Higher Dip Reproductive Health and Health Service Management; Dip in Clinical Medical & Surgery</p>	<p>Year of Birth: 1974 Appointed 7/2/19.</p> <p>Holds BSc in Public Health, Higher Dip Reproductive Health and Health Service Management; Dip in Clinical Medical & Surgery</p> <p>He is an independent director.</p>

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<p>18.</p>	 <p>Mr. Sammy Naporos PHD Development Studies; Masters (Project Planning Management) and BBA</p>	<p>Year of Birth: 1974</p> <p>Managing Director.</p>
<p>19.</p>	 <p>Ms. Gertrude Mabele Bachelor of Laws(LLB), Post Graduate Diploma In Law; Advocate</p>	<p>Year of Birth: 1983</p> <p>Manager, Legal services</p>




3.0 MANAGEMENT TEAM

	Management	Details
1.	 Mr. Sammy Naporos PHD Development Studies; Masters (Project Planning Management) and BBA	Year of Birth: 1974 Managing Director.
2.	 Mr David Onyango Holds MBA (Project Management) and BA(Economics)	Year of Birth:1966 Chief Manager Planning Research & Development.

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3.	 <p>Mr. Samuel Kosgei Holds Master of Business Administration, CPA(K), ICIFA and member of Kenya Institute of Management.</p>	<p>Year of Birth: 1963</p> <p>Chief Manager Business Development & Investment Promotion.</p>
4.	 <p>Engineer Daniel Kimutai Holds MSC (Biosystems), Bsc, Member IEK</p>	<p>Year of Birth: 1974</p> <p>Ag. Chief Manager, Technical Services</p>
5.	 <p>CPA Moses Kipchumba Holds MBA (Finance), Bcom, Financial Analyst (FA)</p>	<p>Year of Birth: 1975.</p> <p>Chief Manager, Finance & Administration</p>

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6.	 <p>Mr. Antony Lunani Bachelors in Economics; Diploma in Purchasing & Supplies; Member of KISM.</p>	<p>Year of Birth: 1973</p> <p>Head of Supplies Chain Management.</p>
7.	 <p>Ms. Carolyne J. Chemitei Masters in Communication Studies, Bachelors of Communication & Public Relations.</p>	<p>Year of Birth: 1974</p> <p>Manager Corporate Communication.</p>

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8.	 <p>Ms. Gertrude Mabele Bachelor of Laws(LLB), Post Graduate Diploma In Law; Advocate</p>	<p>Year of Birth: 1983</p> <p>Manager, Legal services</p>
9.	 <p>Mr. Peter Kurui Holds Bachelor of Business Management, CPA III, Member IIA</p>	<p>Year of Birth:1974</p> <p>Manager Internal Audit.</p>

4.0 CHAIRMAN'S STATEMENT

It is with great pleasure that I present the Kerio Valley Development Authority's Accounts for 2021/2022 financial year. The Authority is a State Corporation under the Ministry of East African Community and Regional Development. Its area of jurisdiction covers the counties of Elgeyo Marakwet, West Pokot, Turkana, Baringo, Samburu and part of Nakuru and parts of Marsabit

During the year under review, the Authority focused on the following;

- Continuous implementation of the Authority's Strategic Plan 2021-2025 in an effort to transform the region's economy through sustainable exploitation of natural resources in partnership with communities, National and County Governments, Donor and Development Partners. The Plan was guided by the GOK Vision 2030 and Integrated Regional Development MasterPlan 2012-2033.
- Strategic intervention on food security through development and maintenance of irrigation projects through sustainable methods of irrigation system in Napuu and Lomut.
- Enhance collaboration with the County governments and various institutions like Kenya Seeds Company, Moi Teaching & Referral Hospital and Kenya Power among others.
- Undertook resource mobilization through active engagements with the National Treasury and development partners aimed at progressing implementation of projects/programs of the Authority
- Engagement with the Ministry and relevant stakeholders in preparation of RDA Amendment Bill.
- Undertook corporate social responsibility in the region through contributions towards community programmes, actively supporting community irrigation activities in, Napuu, Weiwei, and Loyapat.
- Established assorted fruit and tree nurseries to support the live-hoods of the people within the basin and conservation of the basin.
- Undertook environmental conservation activities by planting tree/fruit seedlings in collaboration with local communities, schools and community based institutions.
- Operationalized the Mango factory and increased production of puree and Ready To Drink Mango Juice.
- Operationalized the Rokocho Honey factory and increased honey production.
- Engaged in arbitration process to unlock the pending issues pertaining the Arror and Kimwarer multipurpose dam development projects.

In conclusion, the Board looks forward to continue engaging all stakeholders and undertaking resource mobilization for effective and sustainable implementation of its programmes within the region.



Mr. Mark Chesergon
Chairman of the Board
Date: 23/9/2022

5.0 REPORT OF THE CHIEF EXECUTIVE OFFICER/MANAGING DIRECTOR

It is my honour to present the Financial Statement for the year ended **June 30, 2022**. During the period, there was growth in the Authority's revenues following implementation of business growth strategies. Our focus was on enhancing production and marketing strategies to promote products and build on the already laid down foundation for sustainability through expansion of revenue streams, enhancing operational efficiency and restructuring so as to make the Authority self-reliant. The Authority is focused in ensuring that it shifts from current dependency on Government financing to a self-reliant institution in the long term.

Overall, the Authority reported a surplus of **Kshs 75.65 million** compared to a deficit of **ksh (199.96) million** in the previous year. The strong performance was attributed to increased receipt of government grants during the supplementary budgetary allocation. The funds were received towards the end of the financial year and will be fully absorbed in the 2022/2023 financial year. During the financial year, the Authority realized AIA of Kshs 140.2 million and utilized the same in supporting its recurrent obligations. However, the overall income realized from exchequer and AIA were not adequate to cover the recurrent costs. The management has put in place the following financial measures to improve on the overall Authority's performance both in the short and long term: -

Short Term Measures:

- Enhance rental income from KVDA Plaza to a projected level above **Kshs. 120 million** per annum
- Purchasing and refining 150 tons of semi-processed honey and marketing honey products so as to raise **Kshs 80 million** per annum.
- Enhancement of operationalization of Mango factory in Tot, Elgeyo Marakwet County to increase revenues from mango product line.
- Undertake resource mobilization of funds from development partners.

Long Term Measures:

- Upscale mango seed production business through prudent management of existing farms and expansion of irrigable land to achieve at least 3,000 hectares in the next five years.
- Unlocking of the Arror and Kimwarer multipurpose dam development projects.
- Implement development at Turkwel downstream irrigation project to put an additional 30,000 ha of land under irrigation to enhance national food security and peace within the Region.
- Expansion of existing revenue base to support operating activities and create sustainability in our area of jurisdiction.
- Development of pasture and pasture related products for arid and semi arid lands

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In conclusion, the Management is grateful to our Ministry of East Africa Community, Regional Development and Northern Corridor; Stakeholders, the entire KVDA Board of Directors and Staff for their contributions towards the achievements made during the year.



Mr. Sammy Naporos

Managing Director

Date: 23/9/2022

**6.0 STATEMENT OF KERIO VALLEY DEVELOPMENT AUTHORITY'S
PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022**

6.1 IRRIGATION PROJECTS

During the FY2021/2022, the Authority progressed implementation of the following irrigation projects:

6.1.1 Weiwei Integrated Project (Phase III)

Planned activities

During the FY 2021/2022, the Authority planned to undertake the following activities: -

- i. Capacity Building of farmers; Training and support to farmers.
- ii. Supply of irrigation equipment and machinery for Phase III.
- iii. Pilot crop production for Phase III.
- iv. Environmental conservation (Korrelach).

Other activities under counterpart funding are;

- i. Repair of intake and pipeline.
- ii. Support of farm activities.

Status of implementation of activities:

- i. The Authority has facilitated the payment of 30% pre-financing fees for Sigor Weiwei Phase 3 Project as per contract through the National Treasury. The Contractor for Capacity Building and supply of machinery resumed on 15th June 2022 after suspension of work in April 2021 due to tax complexities related to the project. The Contractor is currently arranging for the delivery of machinery and irrigation equipment.
- ii. 1,050 farmers trained on modern farming methods
- iii. Rehabilitation of KVDA new camp and nursery
- iv. Two (2) demonstration plots of 2.5 hectares established.
- v. Soil erosion control interventions undertaken:-
- vi. Check dams and gabions constructed in Korrelach catchment

- vii. Bamboo/aloë Vera plants planted along pilot gullies
- viii. Community elders engaged in environmental conservation
- ix. 80 tons of maize produced and delivered to Kenya Seed (68 tons of seed maize and 12 tons male seed).

6.1.2 Napuu II Irrigation Project

Planned Activities

KVDA has developed two Centre Pivot Irrigation systems for a total of 150 acres of land at Napuu II Irrigation Project in Turkana County aimed to enhance food security.

During the FY 2021/2022, the Authority planned to undertake the following activities by 30th June 2022 to actualize the project potential:

- i. Solar power supply to the three boreholes and completion of pipe work.
- ii. Crop production and project administration

Status of implementation of activities

Crop production activities were undertaken at site; of 35 acres of was put under watermelons and green-grams. The production achieved; 31.36 tons of watermelon and 1.26 tons of green grams .

The other planned activities above were not implemented, the activities will be implemented in the next financial year once the funds are available.

6.1.3 Lomut Irrigation Project

Planned activities

In the 2021/22 financial year, the Authority planned to support Lomut farmers in farm preparation, farm extension services and procurement of inputs. The support was also to be extended to Chepkum and Kamsiwet farmers in Elgeyo Marakwet county.

Status of implementation of activities:

Extension services and procurement of farm inputs to support Lomut farmers was done successfully. Kamsiwet farmers realised 50 tons of the first and second season crops through the support of the Authority. Lomut farmers extended the land to 150 acres under crop production.

6.2 OTHER INFRASTRUCTURE PROJECTS

6.2.1 Operationalization of Mango Processing Factory

Planned activities

The Authority constructed a Mango Processing Plant/factory at Tot station to process mango into pulp and ready to drink juice. The following activities were planned for implementation in the financial year 2021/22;

- i. Mango seedlings propagation
- ii. Processing and marketing of mango juice/pulp
- iii. Regular maintenance of mango processing plant
- iv. Undertaking Health and safety statutory requirements and other certification requirements

These activities were to be financed through internally generated income AIA.

Status of implementation of Activities

- i. Routine plant maintenance, production and marketing activities were implemented as planned. A total of 16,910 kg of puree and 30,842.8 litres of ready to drink juice was processed.
- ii. Certification requirements to meet product, health and safety requirements was achieved. Tropical juice brand was recently certified by Kenya Bureau of Standards KEBS as additional product to the market.
- iii. A total of 477,630 mango seedlings were raised in the FY2021/2022 from Weiwei, Tot, Kimao and Kimwarer nurseries.

Other achievements include: regular maintenance works of the factory and sensitization of farmers on modern mango farming methods.

6.2.2 Turkwel Dam Infrastructure Rehabilitation

Planned activities

During 2021/2022, the Authority planned to undertake the following activities:-

- i. Rehabilitation of Dam Infrastructure
- ii. Dam Monitoring activities

Status of implementation of activities

Routine dam monitoring activities and plant maintenance were undertaken as planned. However, the planned infrastructural rehabilitation was not implemented due to limited funds.

6.2.3 KVDA Plaza Civil Works

Planned activities

During the FY2021/2022, the Authority targeted to replace wash room equipment and to improve the drainage works at the basement aimed at enhancing service delivery to clients.

Status of implementation of Activities

Routine maintenance of the plaza facilities was implemented. Improvement of drainage works at the basement was done as planned. The replacement of wash rooms will be done in the next FY when funds are available.

6.2.4 Honey Value Chain Project

Planned activities

During FY 2021/2022, the Authority planned to undertake the following activities:-

- i. Production of 200No. Beehives.
- ii. Processing 80 tons of KVDA pure acacia honey valued at over Kshs. 60 Million.
- iii. Procurement of packaging materials for honey.

Status of implementation of Activities

Honey Processing and packing at Rokocho was implemented as planned during the year. A total of 96,408 kg was processed in the FY2021/2022. The Authority also produced 100No. Beehives at Kabarnet wood workshop. The planned target of beehives was not achieved due to lack of the required timber and limited budget.

6.3 AGRIBUSINESS ACTIVITIES

The Authority undertakes agribusiness activities in the region for food security and nutrition, enhancement of livelihoods, capacity building, and technology transfer in agriculture and revenue generation.

6.3.1 Livestock and Pasture Seed Development

During 2021/2022 FY, the Authority planned to continue raising Sahiwal Breeding Stock in Nomotio and Chemeron farms; and the Galla Goats in Chesongoch farm for livestock improvement in the region. The activities planned for are aimed at maintaining and increasing the stocking levels for livestock improvement in the region.

Planned activities

- i. Management of Livestock at Namotio, Chesongoch and Chemeron farms
- ii. Repair of spray race and loading ram
- iii. Production and sale/distribution of 20 tons of Cenchrus Cillaris (African Fox-tail grass) pasture seed from the Authority's 50-acre farm in Chemeron and the neighboring community farms.

Status of implementation of Activities

Stock maintenance and management was undertaken at Namotio, Chesongoch and Chemeron farms. The galla goats were later transferred from Chesongoch to Chemeron due to theft and insecurity in Elgeyo Marakwet. The unfavourable security condition in the Kerio Valley and neighbouring areas has continued to threaten the livestock value chain since it is a primary target of Bandits. The current stock levels for multiplication purposes and improvement of Community breeds are; 67 Galla goat at Chesongoch, 36 Sahiwal cattle in Namotio and 27 Sahiwal cattle in Chemeron. In addition to insecurity, continued drought experienced in the region adversely affected the livestock production during the year.

During the FY2021/2022, a total of 15,835 kgs of seed grass was produced in Chemeron. The repair of the spay race and loading ram in Chemeron was not implemented due to inadequate funds and hence will be undertaken at a later date when funds become available.

6.3.2 Raising of Tree/ Fruit Seedlings for Conservation

Planned activities

During the FY 2021/2022, the Authority planned to raise 870,000 fruit/tree/bamboo seedlings for

- i. Livelihood improvement and for conservation of Cherangany water tower to conserve water catchment area that forms the headwaters of Kerio Basin. The planned production was from Kerio Roses, Cherangany/Suam, Kipsaos, Tot, Kimwarer, Wei Wei, Kimao and Arror nurseries.

Status of implementation of Activities

During the year, a total of 547,700 assorted fruit/ tree seedlings were raised and planted in the region to support conservation activities. The seedlings produced include indigenous and exotic trees, mango, passion, macadamia, avocados and citrus.

6.3.3 Crop Production in Weiwei

Planned activities

During the FY2021/2022, the Authority planned to undertake the following activities:-

- i. capacity building and technology transfer in crop production for the purpose food security and income generation in Weiwei.
- ii. produce 60 tons of maize from 75 acres.
- iii. produce 10 tons of green grams

Status of implementation of Activities

During the reporting period, the Authority the following:-

- i. 80 tons of maize were produced (i.e 68 tonnes of maize seed and 12 tons ordinary commercial maize)
- ii. 15.5 tonnes of green grams was produced

6.3.4 Aquaculture Development

The Authority initiated aquaculture in order to promote fish production from Turkwel Dam and Lake Turkana. During the year, it was planned to build capacity of communities, stock the Dam with fingerlings and to improve of fish resource.

Status of implementation of Activities

- i. Training of Riting Beach management of Turkwel dam was done to enhance dam management.
- ii. Turkwel Dam was restocked with 200,000 fish fingerlings of mixed sex.
- iii. Sensitization of fish farmers at Kalokol on safety measures was undertaken.
- iv. A 6 month moratorium on fishing was implemented to help improve on fish production and sustainability of the fish resource in Turkwel dam.

6.4 NEW PROJECTS**6.4.1 Construction of Boreholes and water pans**

The Authority planned to construct 6No. Boreholes and 2No. Water pans in the region under drought mitigation programme. The specific sites have been mapped in the counties of Baringo, Samburu, West Pokot and Turkana. The boreholes will be installed and equipped with solar power complete with storage tanks and water points.

The project aims at increasing water storage and supply for both domestic and livestock consumption.

The hydro geological surveys and environmental impact assessment for all the projects have been undertaken. Tender awards are also complete. The details of the respective boreholes and water pans are as follows;

SN	Project Name	Location	County	Remark
1	Katimoril Seconary school &Community borehole	Sock location	West Pokot	Estimated depth 200m
2	Nalamacha	Lokichogio ward	Turkana County	Estimated depth 200m
3	Kolowo Seconary school/ community borehole	Tiaty	Baringo county	Estimated depth 220m
4	Nkaisiraruai	Samburu central-lodokejek Village	Samburu county	Estimated depth of 270m
5	Cheptarit community borehole	Kabulwa, Keiyo North	Elgeyo Marakwet County	Depth of 200m
6	Rokocho Community borehole	Keiyo South	Elgeyo Marakwet County	110m depth
7	Noontoto waterpan	Samburu west	Samburu	40,000 m3
8	Naikenyua water pan	Samburu west	Samburu	25,000 m3

6.4.2 Development of Lower Turkwel Irrigation Project

Turkwel Dam project was conceived as a multipurpose project to develop dam to store water for hydropower generation, irrigation, water consumption for both livestock and households, environmental conservation, fishers and tourism development.

So far, the dam was developed and is currently being used to generate 106MW of HEP. It is now planned to irrigate 30,000 ha of lower Turkwel under sugarcane production.

Development of Nairobi Office Complex

The Authority owns 0.7 acres in Upper Hill area of Nairobi that is currently being used as a Liaison office to coordinate activities of the Authority. It is planned to develop an office complex under PPP to provide additional office space in Upper hill.

6.5 OVERALL CHALLENGES

During the year, the following challenges were experienced and affected implementation of activities of the Authority.

- i. Limited funding on projects and programs
- ii. Delay in the release of funds by the exchequer affecting project implementation
- iii. Delayed progress of Weiwei Phase 3 Project due to complexity of tax processes.
- iv. Insecurity incidences along the valley
- v. Poor infrastructure in some regions

7.0 CORPORATE GOVERNANCE STATEMENT

i) Corporate Governance is the process by which companies are directed, controlled and held accountable. The Kerio Valley Development Authority Board of Directors is responsible for the overall management and the governance of the Authority and is accountable to the Government for ensuring that the Company complies with the law and the highest standards of best practice in corporate governance. The business and operations of the Authority will be conducted with integrity, accountability, teamwork, customer focus and embrace internationally developed principles of good governance.

ii) Board of Directors meetings: The Board met three times during the year. The Board has the responsibility of establishing and maintaining the Authority's overall financial, operational and compliance controls as well as formulating policies for the Authority. All Board members except the Managing Director are non-executive. The Chairman is appointed by the President whereas the other members are appointed by the Cabinet Secretary.

iii) Code of Ethics: The Authority is committed to the highest standards of integrity in dealing with all stake holders. All employees of the Authority are expected to serve with uncompromising spirit in serving the public.

8.0 MANAGEMENT DISCUSSION AND ANALYSIS

The Authority was created by the Act of Parliament Chapter 441 laws of Kenya with the mandate to plan, execute, co-ordinate, and implement development projects within its area of jurisdiction. The projects include: Irrigation projects, Conservation Projects, Multipurpose projects, Value Addition projects among others.

No	Project Name	County	Project Objective	Project Output
1	Wei Wei Phase 3 Integrated Project	West Pokot	• Develop irrigation infrastructure on 325 ha for food security	• 325 ha of land developed under irrigation
			• Building capacity of 1000 farmers annually	• 1050 farmers trained
			• Maintain irrigation infrastructure for Phase 1&2.	• Irrigation system maintained
				• Korrelach catchment area Conserved
2	Napuu Centre Pivot Project	Turkana	Establish 2 centre pivot systems to irrigate 150 acres for good security	• 2No. Centre pivot irrigation system established
				• 35 acres put under irrigation and 31.36 tons of water melon ,1.26 tons of green grams was produced.
3	Lomut Irrigation Project	West Pokot	Develop 200 acres for crop production	Lomut farmers produced various subsistence crops, they managed to extend the crop land to 150 acres.
4	Mango Factory	Elgeiyo Marakwet	Operationalise Mango factory by processing 1.54 million litres of mango juice	The production for year is 16,910 kg of puree and 30,842.8 litres of ready to drink juice was processed.
5	Pasture seed Development	Baringo, Elgeiyo Marakwet & West Pokot	Production of pasture seed	15,835kg of pasture seed produced
6	Honey Value Chain		Processing of 80 tons of honey	96,408kg of honey processed
7	Livestock Development	Baringo & Samburu	Raising of livestock breed	• 63 Sahiwal animals raised
				• 67 galla goats raised

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8	Cherangany Water Shed Conservation	All counties under KVDA	Cherangany conserved	750,000 tree seedlings raised and planted for conservation of Cherangany
9	Drought mitigation programme.	All counties under KVDA	Construction of boreholes and waterpans in the regions	The hydro geological surveys, environmental impact assessment and tender awards for all the project are complete.

During the year under review, implementation of Napuu Centre Pivot project was progressed. Area residents have already reaped the benefits from the project. The Authority is implementing Wei Wei Phase III project through a soft loan from the Italian government. The components of the project included consultancy services, civil works, capacity building (supply of farm machinery and operationalization of the farm). The consultancy services and civil works components (80% of the project) are completed. The Authority has facilitated the payment of 30% pre-financing fees as per contract through the National treasury. The contractor for Capacity Building and supply of machinery resumed on 15th June 2022 after suspension of work in April 2021. The delivery of machinery and irrigation equipment are expected in the next two months. The benefits from this project are expected to benefit the local community as the project attains full implementation.

The Authority has played a critical role in ensuring Cherangany catchment is conserved by providing and planting tree seedlings which have been a great achievement by KVDA and the local community. The Authority constructed the Tot Mango processing factory for value addition. The plant is currently operational and has a capacity to process 1.54 million litres of puree/juice per year. Optimal operationalization of the factory remains a challenge due to insecurity and low market uptake of the juice product.

The major challenges faced by the Authority included inadequate resource allocation by the National Treasury and tax assessments which led to further constraining of available financial resources.

It is worthy to note that despite the challenges mentioned above, the Authority complied in paying all its statutory requirements.

9.0 ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The Authority exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, de xxxiv | Page relevant goods and services, and improving operational excellence. Below is an outline of the organization's policies and activities that promote sustainability.

9.1 Sustainability strategy and profile

The Authority will focus on projects and programmes that will ensure sustainability of its activities by effectively utilizing the available resources while at the same time enhancing collaborative efforts with relevant stakeholders.

9.2 Environmental Performance

9.2.1 Increase forest and tree cover to at least 10% in the areas of operation:

This will be accomplished through promoting and sensitizing communities on the available opportunities on tree-based enterprises, creating awareness and building communities' capacities on forest management, identifying possible partners or collaborators for tree planting campaigns and establishing linkages with KEFRI on appropriate trees to propagate at specific sites.

9.2.2 Conservation of key water catchment areas.

The Authority shall formulate proposals and source for financial support to implement the conservation of one of Kenya's Key water tower of Cherangany water catchment. It will sensitize and mobilize communities living within this water catchment area to undertake conservation & management activities and promote on-farm woodlots establishments to minimize forest encroachment and encourage rehabilitation of degraded forest area.

9.2.3 Support effective implementation of Forests policies and legislations.

This will be achieved through establishing close partnership with other organizations, for example, Kenya Forest Service (KFS), with a view to implementing certain policies on watershed management. The Authority will domesticate forest policies and legislations in areas where it operates.

9.2.4 Support appropriate forest-based development mechanisms in the emerging carbon

markets This will be done through building the capacity of local communities to enable them adapt to the adverse impacts of climate change and enhance partnerships with KFS and other stakeholders so as to benefit from opportunities granted by the Reduced Emissions from Deforestation and Degradation (REDD) with a view to trading in carbon markets.

9.2.5 Fresh water and Wetland Ecosystem.

The Authority shall promote rehabilitation and restoration of degraded wetlands, riverbanks and lakeshores through conservation of the ecologically sensitive areas. It shall promote alternative sources of livelihoods for the communities and collaborate with other stakeholders in the establishment of wetlands and catchment management plans. Community Based Organizations, groups, associations will be actively involved in the management of wetlands for the achievement of this target.

9.2.6 Conservation of Mountain Ecosystems.

The Authority will accomplish this through: Identifying key stakeholders to build synergies for conservation initiatives, Promotion of integrated watershed management and alternative livelihood opportunities to enhance community participation in the conservation and management of mountain ecosystems and enhancing the adoption of appropriate land use planning and watershed management practices for sustainable development of mountain ecosystems by the local communities

9.2.7 Promote integrated natural resource management in ASALs.

The Authority shall promote the planting of high value dry land tree species in Arid and Semi-Arid Lands (ASALs) (e.g., Baringo, West Pokot, Elgeyo-Marakwet, Samburu and Turkana) coupled with the sensitization of local communities on conservation of ASALs. It will also promote projects in these areas, such as water harvesting through construction of water pans, weirs, boreholes, sand dams, check dams. Disasters, for instance floods, are common in these areas and mitigation measures will involve the construction of flood protection structures along the river banks such as dykes, trenches, gabions etc. KVDA will promote alternative livelihood for the local communities in these areas. For instance, it will promote beekeeping for income diversification. It will also promote livestock improvement through the introduction of new breeds that are resistant to drought and diseases.

9.3 Land Resource Management.

The Authority shall encourage; best farming practices such as agroforestry, mixed farming, support soil and water conservation techniques, such as, construction of terraces, support drip irrigation technology, encourage organic farming and greenhouse technology. It shall also identify and conserve environmentally significant areas such as; eco-tourism sites, hilltops, riparian areas, springs, wetlands. It shall encourage the rehabilitation of degraded areas and strengthen stakeholders' participation and partnerships in the management of land resources.

9.4 Soil conservation.

The institution shall promote eco-friendly farming practices and enhance soil conservation through the use of structures such as; terraces, retention ditches and biological methods in areas prone to gully erosion, for example, Baringo, Kongelai in West Pokot, among other areas along the Kerio Valley.

9.5 Wildlife Resources

KVDA will:

- Support community conservancy initiatives
- Facilitate development of eco-tourism facilities
- Embark on community sensitization exercises
- Establish partnerships and linkages for funding of ecotourism activities

9.6 Promotion of sustainable management and utilization of fishery resources

The authority will also establish fish farming demonstration farms to support community based fish farming initiatives as a way of promoting alternative livelihood.

9.7 Climate change adaptation

The Authority shall:

- Identify and promote climate change adaptation technologies
- Promote environmental awareness programmes on the effects of climate change
- Promote climate change adaptation and mitigation initiatives such as energy saving, reducing Green House Gas emissions and water harvesting
- Create awareness on opportunities for carbon markets and support development of carbon credit programs in its area of operation.

9.8 Partnerships and Stakeholder Involvement

The Authority shall build Partnerships with Stakeholders on various environmental and development issues in order to foster Sustainable Development and achieve desired goals namely:.

9.8.1 Reducing energy, water and paper intensity of office and field-based operations.

This will be accomplished through the use of renewable energy, for instance the use of gravity flow of water to supply water to irrigation farms and tree nurseries. There is a need to reduce water wastage by enhancing water storage through construction of dams. The conventional channel irrigation is wasteful as most of the water is lost through seepage and evaporation. Piping of water from the source will be necessary so that water is sufficient for intended purpose. The use of solar energy will be embraced in field offices to provide energy. The Authority will ensure all staff is computer literate in order to embrace e-technology in communication. e.g, circulating memoranda via e-mail rather than printing them on paper.

9.8.2 Reducing the amount of waste produced, and maximizing the amount Reused and Recycled.

The Authority will ensure that waste generated in its activities adheres to the rule of 3R's. That is; Reduce, Re-use and Recycle. This will ensure maximum utilization of raw materials, thereby reducing cost involved in the purchase of raw materials and disposal of wastes. These measures will reduce environmental degradation (Pollution). Separation of office waste into reusable, recyclable, compost and true waste components will be done in the course of day-day activities. Wastes will be disposed off in accordance with the Waste Disposal Guidelines stipulated by NEMA. Staff will be sensitized on the 3R's so that the culture of efficient utilization of input materials is adopted.

9.8.3 Reducing greenhouse gas emissions and excess noise associated with vehicles and Machinery

This will be achieved through frequent maintenance of vehicles and machinery. For instance, changing engine oil from time to time. Machinery during construction works, e.g. dam construction should be operated during the day so that noise and excessive vibration does not cause nuisance to the public.

Trees will be planted in order to absorb noise and carbon dioxide generated in a site where processing activities takes place.

9.8.4 Ensuring all new capital works programs incorporate comprehensive Environmental Sustainability principles.

This entails carrying out Environmental Impact Assessment prior to the start of major projects and instituting annual Environmental Audits on such projects so as to enhance Environmental Sustainability of these projects and at the same time complying with the regulations stipulated in the Environmental Management and Co-ordination Act, 1999 and (EMCA AMENDED ACT 2015).

9.8.5 Making environmentally-sound purchasing decisions for capital items and consumables.

The Authority will ensure quality items are procured. Decisions governing quality of products will be based on how durable the item is, how efficient the item to be procured is and how the item will enhance environmental quality. i.e, the item will not result in environmental pollution when it is put into use.

9.8.6 Adopting a pollution prevention approach to our activities.

The Authority will employ the precautionary principle in its undertakings so as to mitigate any adverse impact to the environment, e.g, pollution. Mitigation measures should be put in place in advance through the use of tools, such as, Environmental Impact Assessment, feasibility study, among others. This will prevent the organization from incurring losses in the event that it causes pollution to the environment or

to third parties and the Polluter Pays Principle is exercised.

9.8.7 Communicating environmental performance through regular reporting.

The Authority shall submit quarterly environmental sustainability reports to the National Environmental Management Authority (NEMA), regarding environmental performance Guidelines. The Authority is no exception in complying with this regulation.

9.8.8 Striving for continual improvement in environmental performance.

The Authority will achieve this by investing in Income Generating Projects that are environmentally friendly. Production of assorted tree/fruit seedlings will be promoted so as to plant more trees in many of degraded areas especially in Cherang'any water catchment. Sensitization of community groups on environmental conservation through tree planting will be done to accomplish this goal. New technologies will be adopted provided it influences positive environmental change. Partnerships with other stakeholders will be embraced in so far as development and environmental conservation is concerned.

9.9 Domesticating the Environmental Policy

This will be accomplished through cascading of the formulated policy to all departments, divisions, sections, for easy reference and guidance. Staff will be sensitized on Environmental Management and will be reminded that each individual has a responsibility of conserving his/her immediate environment. Sensitization of staff on Environmental Health and Safety will be done in order to mitigate Occupational Health Hazards.

9.9.1 Employee welfare

The authority has four HR tools which are used in hiring process, these are:-

- Human Resource policies and procedure manual
- Grading and structure
- Staffing establishment
- Career progression

The above policies have incorporated provisions of the constitution 2010, the labour Laws, PSC Act 2017,

the Public Service Human Resource Manual 2016 and other relevant legal statutes. The Authority during recruitment is guided by provisions of Article 10 and 232 of the constitution of Kenya, which provides that organization should practice inclusiveness, fair labour practices and offering equal opportunities.

The current HR tools were approved in 2018, the Authority has embarked on reviewing the same to be in line with the current policy and regulatory frameworks to respond effectively to emerging issues. The Authority has put in place OSHA which is used to implement policies and programs that ensure protection of both employees and clients from such hazards and disasters. It also maintains healthy and safe working conditions to ensure there is no personal injury caused by accidents.

9.9.2 Market place practices-

Our markets are constantly changing owing to environmental factors and demographics and this has given us an impetus to improve on service delivery and constant customer engagement. It has necessitated us to become innovative and by using the point of sale and till number, this has gone a long way in improving our efficiency and effectiveness as well.

9.9.3 Responsible competition practice

On responsible competition our focus remains to serve the society by making a positive impact in the regions we cover, thanks to our policies which expressively highlights our mandate and our scope of operation. We have always endeavored to create new generation of profitable products and business processes underpinned by rules that support societies, broader social, environmental and economic aims.

We continue to demonstrate high level of accountability to the board of management by ensuring that our business operations are transparent and operating at the confines of our service charter.

9.9.4 Responsible Supply chain and supplier relations

We have made a milestone in ensuring that our clients are satisfied by addressing their complains promptly, supplying them with our products whenever they need and offering them after sales and services and through

this we have been able to generate value to our esteemed shareholders.

We have also crafted strategies that embrace the principles and practices of responsible competitiveness by recognizing our clients and appreciating them for partnering and doing business with us.

9.9.5 Responsible marketing and advertisement

We have remained truthful to our exceptional brand by not misleading the public on our nutritional labels.

We have also ensured that our products and services are affordable to our clients.

We have also been on the forefront by ensuring that we adhere to production, customer care or quality control procedures in conformity with the Kenya Bureau of Standards requirements.

We have also remained steadfast in ensuring that we pay taxes through the use of ETR machine and documenting sales on the cash sales receipt book.

9.9.6 Corporate Social Responsibility / Community Engagements

The Authority area of operation covers Counties of Turkana, West Pokot, Elegeyo Marakwet, Baringo, Samburu, parts of Nakuru and Marsabit. These are the arid and semi-arid areas where the communities rely on the Authority on development programs and support on other challenges associated with the terrains.

During the government declaration of drought as a national disaster in 21 counties, the Authority in response distributed emergency food relieve to the people of Turkana and Samburu counties.

The food Donation was distributed to Kaakelae village, kaleng/kaikor ward in Turkana North where 700 household benefited on, Bags of Maize and other food stuff worth Kshs.80,000 this included; bales of maize flour, bags of beans and cartons of milk for young children and elderly. The exercise was carried out in September, 2021.

Samburu Community also was supported in October, 2021 where 1,300 households was distributed with bags of maize and other food stuff worth Kshs.80,000 which included bales maize flour, bags of beans and cartons of milk for young children and elderly people.

On the other hand in implementing the conservation the Authority donated mangoes and avocado fruit seedlings No. 10,700 and tree seedlings No. 537,000 respectively to schools and communities within the region.

10.0 REPORT OF THE DIRECTORS

The Board of Directors submit their report together with Financial Statements for the year ended 30th June, 2022 showing the state of KVDA's affairs.

i. Principal activities:

- To formulate Integrated Regional Development Master Plan in partnership with other stakeholders.
- To undertake resource mapping for data bank and promotion of Integrated Multi-Sector Investments.
- To carry out appraisal of multi-sectoral investments.
- To monitor, evaluate, document and disseminate data on development levels.
- To market and implement multi-sectoral development projects/investments.
- To mobilize active engagement of stakeholders through various forums.

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ii Results

The results of the entity for the year ended 30th June, 2022 are set out on pages 1 to 40

iii Directors:

The members of the Board of Directors who served during the year are shown on page viii - xiv. During the year ended 30th June 2022, ten directors retired and three directors were appointed between October 2021 and February 2022.(Two in October 2021 and One in February 2022).

iv Surplus remission

There were no remissions due during the Financial year under review.

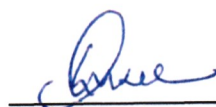
v Auditors

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

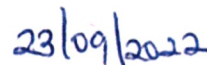
By Order of the Board

Gertrude Mabele (Ms)

Secretary to the Board



Signature



Date

KERIO VALLEY DEVELOPMENT AUTHORITY

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11.0 STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Section 14 of the State Corporations Act, require the Directors to prepare Financial Statements in respect of KVDA, which give a true and fair view of the state of affairs of KVDA at the end of the financial year/period and the operating results of KVDA for that period. The Directors are also required to ensure that KVDA keeps proper accounting records which disclose with reasonable accuracy the financial position of KVDA. The Directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation and presentation of KVDA's Financial Statements, which give a true and fair view of the state of affairs of KVDA for and as at the end of the financial year (period) ended on June 30th 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the KVDA (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for KVDA's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that KVDA's financial statements give a true and fair view of the state of KVDA's transactions during the financial year ended June 30th 2022, and of KVDA's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for KVDA, which have been relied upon in the preparation of KVDA's Financial Statements as well as the adequacy of the Internal Control systems.

Nothing has come to the attention of the Directors to indicate that KVDA 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 KVDA's financial statements were approved by the Board on 23rd September, 2022 and signed on its behalf by:



Mr. Mark Chesergon
Chairman of the Board



Sammy Naporos
Managing Director

REPUBLIC OF KENYA



Enhancing Accountability

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KERIO VALLEY DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kerio Valley Development Authority set out on pages 1 to 47, which comprise the statement of financial position as at 30 June, 2022, the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit. In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the

financial position of the Kerio Valley Development Authority as at 30 June, 2022, 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 Kerio Valley Development Authority Act, Cap 441 of 1979 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Long Outstanding Receivables - Staff Advances

The statement of financial position reflects receivables balance of Kshs.34,130,258, which includes staff salary advances of Kshs.1,654,553 as disclosed in Note 19 (a) to the financial statements. However, the advances have been outstanding since 1998 and most of the staff members are no longer in service. Management has not provided measures put in place to recover the funds from respective staff members and has not made provision for doubtful debts.

In the circumstances, the accuracy and recoverability of salary advances balance of Kshs.1,654,553 could not be confirmed.

2. Lack of Revaluation of Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.4,232,617,396 and investment property of Kshs.1,074,778,112 totalling to Kshs.5,307,395,507 as disclosed in Note 17 to the financial statements. However, the Authority's assets have not been revalued over time. This is contrary to Paragraph 44 of International Public Sector Accounting Standards (IPSAS 17) on property, plant and equipment which provides that the frequency of revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

In the circumstances, the value of the property, plant and equipment balance of Kshs.5,307,395,507 could not be confirmed.

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

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.716,670,494 and Kshs.661,903,662 respectively resulting to an under-funding of Kshs.54,776,832 or 7.6% of the budget. Similarly, the Authority expended Kshs.632,338,844 against an approved budget of Kshs.612,354,492 resulting to an over-expenditure of Kshs.19,984,352 or 3.3% of the budget.

The underfunding and overperformance affected the planned activities and may have impacted negatively on service delivery to the public.

2. Unresolved Prior Year Audit Matters

In the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Although, Management has provided explanation on the progress made on the recommendations by the auditors, the matters have remained unresolved.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Compliance with Law on Ethnic Composition

Review of the human resource data revealed that the Authority had a staff establishment of one hundred and sixty-nine (169) employees out of whom one hundred and one (101) or 60% employees were from the dominant community. This is contrary to Section 7 of the National Cohesion and Integration Act, 2008 which provides that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of staff from the same ethnic community. Management has not demonstrated measures taken to comply with the provision.

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

2. Payment to Kenya Revenue Authority

The statement of financial performance reflects KRA tax assessments expenditure of Kshs.75,730,609 which according to Note 16 (a) & (b) of the financial statement relates to tax assessment carried out on the Authority. Included in Kshs.75,730,609 is Kshs.67,058,914 paid in three installments to Kenya Revenue Authority in respect to principal tax, penalties and interest. According to letter ref No. P051094057A dated 22 October, 2021 it is indicated that the Authority owes Kenya Revenue Authority total amount of Kshs.97,905,022 which was being demanded by KRA relating to WHIT, WHVAT and RVAT due to failure to comply with Section 29 of the Tax procedures Act, 2015. The Kshs.97,905,022 included penalty and interest totalling to Kshs.30,846,108. However, no documentary evidence was provided to support the payment of penalty and interest amounting to Kshs.30,846,108 and in addition, the penalty and interest amount was not reported as a payable.

Further, the tax assessment on the Authority included taxes arising from the soft loan of Nine Million One Hundred and Eighty-Seven Thousand Four Hundred and Ninety One Euros (EUR 9,187,491) which, according to the agreement, was between the Republic of Kenya - represented by The National Treasury (Borrower) and the Italian Republic signed on 23 January, 2007. The soft loan was meant for development of Sigor Wei Wei Agricultural Scheme Phase III and was to be repaid for a duration of 39 years; and any taxes arising were to be borne by the borrower who is the Republic of Kenya represented by The National

Treasury. The payment of taxes by the Authority was therefore contrary to Article 16.1 (Taxes) of the signed financial agreement which states that any present or future tax, which may be due in Kenya for any reason whatsoever related to this agreement and to the acknowledgement of indebtedness, shall be exclusively be borne by the borrower. The financial agreement defines borrower as the Government of the Republic of Kenya represented by the Ministry of Finance as stated in Article 1 (definitions).

In the circumstances, the Management was in breach of the laws.

3. Advance Payments on Arror and Kimwarer Multi-Purpose Projects

As previously reported, the statement of financial position reflects advance payments on multi-purpose projects balance of Kshs.7,778,151,688 as disclosed under Note 21 to the financial statements. The payments were made to the contractors towards construction of Arror and Kimwarer Multipurpose Dams which were to be recovered by the Authority from subsequent payments of certified works.

However, physical verification of the Multipurpose Dam Development Project (Arror and Kimwarer) carried out in February, 2022, revealed that the contractor was not on site, there were no signposts, and no work was in progress, an indication that the project construction works had not commenced. The project was behind contract programme schedule, and it is not known when the land acquisition process will be concluded and when construction work will start. Further, although records provided indicated that the matter is pending before the International Court of Arbitration, the Management has not made any provision for doubtful debts in respect of the advance payments of Kshs.7,778,151,688.

In the circumstances, value for money has not been realized on the advance payments on the multipurpose projects of Kshs.7,778,151,688.

4. Incomplete Projects

The statement of financial performance reflects operation expenses of Kshs.113,131,326 as disclosed in Note 13 to the financial statements. Five (5) projects with a total contract sum of Kshs.49,624,000,000 and total payments of Kshs.7,820,821,394 were verified during audit in February, 2023. Four (4) projects with contract sum of Kshs.24,000,000 were on going while one (1) project (Arror/Kimwarer Multipurpose Project) with contract sum of Kshs.49,600,000,000 and total payments of Kshs.7,820,821,394 had stalled as tabulated below. Further, the Authority's biological assets in Chemeron and Samburu were also verified.

No	Project Name	Contract sum	Total Payments as at 30 June 2021	Amount Paid in FY 2021/2022	Total Payment as at 30 June 2022	Delivery Status	Project Verification Status
		Kshs.	Kshs.	Kshs.	Kshs.		
1	Napuu Irrigation – 3 boreholes connection to solar & grid	10,000,000			-	20%	on-going Land lay bare and fallow with minimal agricultural activities
2	Weiwei Phase III – Planting, green grams, sunflower & maize	9,000,000				40%	on-going
3	Weiwei Phase III – Avocado & mango seedlings	4,000,000				40%	on-going
4	Weiwei Phase III – Fish value chain	1,000,000				40%	on-going

No	Project Name	Contract sum	Total Payments as at 30 June 2021	Amount Paid in FY 2021/2022	Total Payment as at 30 June 2022	Delivery Status	Project Verification Status
5	Arror/ Kimwarer Multipurpose Project	49,600,000,000	7,778,151,688	42,669,706	7,820,821,394		Stalled
	Total	49,624,000,000	7,778,151,688	42,669,706	7,820,821,394		

In the circumstances, the Authority did not achieve value for money from the projects implemented.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and the Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to liquidate the Authority or to cease operations.

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

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

The Board of Directors is responsible for overseeing the Authority's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

28 April, 2023

KERIO VALLEY DEVELOPMENT AUTHORITY
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For the year ended June 30, 2022.

13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2022

Description	Notes	2021-2022	2020-2021
		Kshs	Kshs
Revenue from non-exchange transactions			
Government grants-Unconditional	6	452,180,000	157,518,500
Conditional Receipts (VER)	7	2,425,168	33,086,696
Gain on Biological Assets		-	1,720,455
Conditional Receipts (ESP & Water Harvesting)	8	6,412	891,557
Conditional Receipts (Aror Kimwarer)	9	67,058,914	
		521,670,494	193,217,208
Revenue from exchange transactions			
Appropriation In Aid	10	140,233,168	136,586,909
Total revenue		661,903,662	329,804,117
Expenses			
Conditional grant Expense (VER)	7	2,425,168	33,086,696
Conditional Expense (ESP & Water Harvesting)	8	6,412	891,557
Personal Emoluments-Employee costs	11	179,622,574	147,312,791
Administration Expenses	12	83,995,238	72,976,843
Operation expenses	13	113,131,326	115,273,261
Remuneration of Directors expenses	14	21,913,932	20,748,642
Kra Fines & Penalties	15	-	27,461,244
Kra Tax Assessments	16(a&b)	75,730,609	-
Depreciation and amortization expense	17	109,429,587	112,012,594
Total expenses		586,254,845	529,763,628
Surplus / (deficit) before tax		75,648,816	(199,959,511)
Taxation			
Surplus / (deficit) for the year		75,648,816	(199,959,511)

The notes set out on pages 6 to 44 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:



Accounting Officer
 Name: Sammy Naporos

Date: 23/09/2022



Head of Finance
 Name: Moses Kipchumba
 ICPAK Member No: 11872

Date: 23/09/2022



Chairman of the Board
 Name: Mark Chesergon

Date: 23/09/2022

KERIO VALLEY DEVELOPMENT AUTHORITY

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14. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2022

	Notes	2021-2022	2020-2021
Assets		Kshs	Kshs
Current assets			
Cash & Cash Equivalents	18	667,360,285	626,050,874
Receivables	19	34,130,258	39,237,473
Inventories	20	60,323,866	41,381,389
Advance payments multi-purpose Projects	21	7,778,151,688	7,778,151,688
Sub-Total Current Assets		8,539,966,098	8,484,821,424
Non-current assets			
Property, plant and equipment	17	4,232,617,396	4,322,127,616
Investment property	17	1,074,778,112	1,085,721,779
Biological Assets	22	16,907,230	13,679,005
Sub-Total Non-Current Assets		5,324,302,737	5,421,528,400
Total assets		13,864,268,835	13,906,349,824
Liabilities			
Current liabilities			
Ministry Devolution - (VER Funds)	7	-	2,425,168
Restricted Liability - Aror	9	538,887,543	605,946,457
Trade and other payables from exchange transactions	23(a)	89,307,980	101,826,645
Restricted Funds Liability (ESP & Water Harvesting))	8	-	6,412
Auditor General	24	3,248,000	2,436,000
Refundable Deposits and Prepayments	23(b)	2,259,201	1,683,547
Sub- Total Current liabilities		633,702,724	714,324,229
Non-Current Liabilities	25	255,171,231	292,279,531
Total Liabilities		888,873,955	1,006,603,760
Total Net Assets		12,975,394,880	12,899,746,064
Capital Reserves		7,696,199,073	7,696,199,073
Revenue Reserves		5,279,195,807	5,203,546,991
Total net assets and liabilities		12,975,394,880	12,899,746,064

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



Accounting Officer

Name: Sammy Naporos

Date:23/09/2022



Head of Finance

Name: Moses Kipchumba
ICPAK Member No: 11872

Date:23/09/2022



Chairman of the Board

Name: Mark Chesergon

Date:23/09/2022

KERIO VALLEY DEVELOPMENT AUTHORITY

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15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2022

	Capital reserves	Revenue reserve	Totals
	Kshs	Kshs	Kshs
Balance as at 30th June 2020	7,696,199,073	5,403,506,502	13,099,705,575
balance as at 1st July 2020	7,696,199,073	5,403,506,502	13,099,705,575
Surplus/(deficit) for the period	-	(199,959,511)	(199,959,511)
Balance as at 30th June 2021	7,696,199,073	5,203,546,991	12,899,746,064
Balance as at 1st July 2021	7,696,199,073	5,203,546,991	12,899,746,064
Surplus/(deficit) for the period		75,648,816	75,648,816
Balance as at 30th June 2022	7,696,199,073	5,279,195,807	12,975,394,880

KERIO VALLEY DEVELOPMENT AUTHORITY

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16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2022			
	NOTES	2021-2022	2020-2021
		Kshs	Kshs
Cash Flows from Operating Activities			
Receipts			
Government Grants & Subsidies	6	452,180,000	157,518,500
Sale of Goods	10(a) & (c)	99,109,433	99,457,548
Other Income, rentals	10(b)	41,123,735	37,129,361
Total Receipts		592,413,168	294,105,409
Payments/Cash outflows			
Conditional Funds - VER	7	-2,425,168	-33,086,696
Conditional Funds - ESP & Water Harvesting	8	-6,412	-891,557
Compensation of Employees	11	-179,622,574	-147,312,791
Administration Expenses	12	-92,283,321	-72,976,843
Operation Expenses	13	-120,131,326	-78,980,807
Remuneration of Directors	14	-21,913,932	-20,748,642
Kra Tax Assessments	16	-71,394,762	-
Kra Fines & Penalties	15	-6,865,311	-16,019,059
Total payments		-494,642,805	-370,016,395
Net cash generated from operating activities		97,770,363	-75,910,986
Cash flows from Investing Activities			
Retention	23(c)	-10,376,953	10,074,269
Purchase of Property, Plant and Equipment	17	-8,975,698	-25,310,700
Sub-total		-19,352,651	-15,236,431
Net Cash flow after Investing Activities		78,417,711	-91,147,417
Cash flows from financing activities			
Borrowing			
Principal Loan repayment	25	-37,108,300	-33,309,149
Net cash flow from financing activities		-37,108,300	-33,309,149
Net cash and cash equivalents		41,309,411	-124,456,566
Cash & cash equivalent at the beginning of the period		626,050,874	750,507,440
Net Cash & Cash Equivalents - End		667,360,285	626,050,874

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



Accounting Officer
Name: Sammy Naporos

Date:23/09/2022



Head of Finance
Name: Moses Kipchumba
ICPAK Member No: 11872

Date:23/09/2022



Chairman of the Board
Name: Mark Chesergon

Date:23/09/2022

KERIO VALLEY DEVELOPMENT AUTHORITY

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17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2022

Revenue	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance Difference	% Of Utilization
Governemnt Grants	370,180,000	82,000,000	452,180,000	452,180,000	-	100
Appropriation In Aid	195,000,000	-	195,000,000	140,233,168	54,766,832	72
Conditional Receipt VER	2,425,168	-	2,425,168	2,425,168	-	100
Conditional Receipt (esp & water Harvesting)	6,412	-	6,412	6,412	-	100
Conditional Receipt (Arror Kimwarer)	67,058,914	-	67,058,914	67,058,914	-	100
Total Income	634,670,494	82,000,000	716,670,494	661,903,662	54,766,832	92
Expenses						
Personnel Emoluments	182,721,014	-	182,721,014	179,622,574	3,098,440	98
Remuneration Of Directors	24,960,000	-	24,960,000	21,913,932	3,046,068	88
Administration Expenses	95,098,986	-	95,098,986	83,995,238	11,103,748	88
Operation Expenses	194,000,000	-	194,000,000	113,131,326	80,868,674	58
Depreciation	-	-	-	109,429,587	(109,429,587)	
Conditional Expense VER	2,425,168	-	2,425,168	2,425,168	-	100
Conditional Expense (esp & water Harvest)	6,412	-	6,412	6,412	-	100
Conditional Expense (Arror Kimwarer)	67,058,914	-	67,058,914	67,058,914	-	100
Kra Tax Assessments	-	-	-	8,671,695	(8,671,695)	
Sub- Total	566,270,494	-	566,270,494	586,254,845	(19,984,351)	104
Acquisition of Assets	8,975,698	-	8,975,698	8,975,698	-	100
Loan Repayment	37,108,300	-	37,108,300	37,108,300	-	100
Sub- Total	46,083,998	-	46,083,998	46,083,998	-	100
Total Expenditure	612,354,492	-	612,354,492	632,338,844	(19,984,351)	103

The variances reported were as a result of non realization of targeted AIA and under absorption of drought mitigation funds which were received towards the end of the financial year.

18. NOTES TO THE FINANCIAL STATEMENTS

1.General Information

Kerio Valley Development Authority is established by and derives its authority and accountability from an Act of Parliament Chapter 441. The Authority is wholly owned by the Government of Kenya and is domiciled in Kenya. The Authority's principal activity is to plan and coordinate the implementation of development projects in the Kerio and Turkwel catchment areas.

2.Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

Summary of significant Accounting Policies (Continued)

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2022.

Standard	Impact
<p>Other Improvements to IPSAS</p>	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p>

Summary of significant Accounting Policies (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p>

KERIO VALLEY DEVELOPMENT AUTHORITY

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For the year ended June 30, 2022.

Standard	Effective date and impact:
	<ul style="list-style-type: none">a) The nature of such social benefits provided by the entity.b) The key features of the operation of those social benefit schemes; andc) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none">a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>

iii. Early adoption of standards

The Authority did not early – adopt any new or amended standards in year 2021/2022.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

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

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

Rendering of services

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

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

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)

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 Authority.

Interest income

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

Revenue from exchange transactions

Dividends

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

Rental income

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

b) Budget information

The original budget for FY 2021-2022 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Authority did not record additional appropriations on the 2021-2022 budget following the governing body's approval.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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

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

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

c) Taxes

Current income tax

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Deferred tax

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

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

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

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

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

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Sales tax

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

When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable

When receivables and payables are stated with the amount of sales tax included.

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

d) Investment property

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

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

Investment properties are de-recognized either when they have been disposed off 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.

Notes to the Financial Statements (Continued)**Summary of Significant Accounting Policies (Continued)****e) 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.

Depreciation

Fixed assets are depreciated on their reducing Net Book Value (NBV) balances. Depreciation is charged fully on the year of purchase and none in the year of disposal

Depreciation rates

	Assets category	Annual (%)
i	Buildings- Permanent	2
ii	Buildings- Semi-permanent	10
iii	Plant, machines & Farm Equipment	25
iv	Motor Vehicles	25
v	Tractors & Dozers	25
vi	Office Furniture & Fittings	12.5
vii	Loose Tools & Equipment	12.5
viii	Survey & Drawing Equipment	12.5
ix	Office machines & Equipment	12.5
x	House Furniture & Fittings	12.5

Annual depreciation rate on the Turkwel Gorge project is at 2%.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Authority. 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 Authority 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 Authority 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 Authority. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)

g) Intangible assets

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

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

h) Research and development costs

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

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale
- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset
- v) 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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

i) Financial instruments

a) 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 Authority 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 Authority 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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Impairment of financial assets

The Authority assesses at each reporting date whether there is objective evidence that a financial asset or an item of financial assets is impaired. A financial asset or a n item 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:

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

b) 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 Authority 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 de-recognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

j) 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:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) 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.

k) 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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

l) 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 .

There is a court case no. 54 of 2019 between the former Managing Director and the Authority filed on 31 October, 2019 of which a ruling is yet to be delivered.

m) 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.

n) Nature and purpose of reserves

The Authority creates and maintains reserves in terms of specific requirements. Kerio valley Development Authority maintains Capital and Revenue Reserves.

o) 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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

p) Employee benefits

Retirement benefit plans

The Authority 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 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.

q) 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.

r) 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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

s) Related parties

The Authority 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 Authority, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

t) Service concession arrangements

The Authority analyses all aspects of service concession arrangements that it enters in determining the appropriate accounting treatment and disclosure requirements. 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.

u) 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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

v) Comparative figures

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

w) 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, 2022.

5. 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.

IPSAS 1.140

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Significant Judgments and Sources of Estimation Uncertainty (Continued)

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:

- a) The condition of the asset based on the assessment of experts employed by the Entity.
- b) 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.
- c) Availability of funding to replace the asset.
- d) Changes in the market in relation to the asset.

Provisions

Provisions were raised and management determined an estimate based on the information available. 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.

KERIO VALLEY DEVELOPMENT AUTHORITY

Annual Reports and Financial Statements

For the year ended June 30, 2022.

Notes to the Financial Statements (Continued)

6) Government Grant Income

During the period under review, the Authority received Kshs. 452,180,000 for Recurrent and Development.

	2021-2022	2020-2021
Description	Kshs	Kshs
Recurrent	208,180,000	100,180,000
Development	244,000,000	57,338,500
Total	452,180,000	157,518,500

7) Voluntary Early Retirement - VER

	2021-2022	2020-2021
Description	Kshs.	Kshs.
Balance b/f	2,425,168	35,511,864
Receipts	-	-
Expenditure for the year	(2,425,168)	(33,086,696)
Balance c/f	-	2,425,168

8. Conditional Funds Liability (ESP & Water Harvesting)

	2021-2022	2020-2021
Description	Kshs	Kshs
Balance b/f	6,412	897,969
Less - water harvesting expenses	(3,165)	(876,671)
Less - Economic stimulus Expenses	(3,247)	(14,886)
Liability	-	6,412

9. Aror Multipurpose

	2021-2022	2020-2021
Description	Kshs	Kshs
Balance B/f	605,946,457	605,946,457
Receipt	-	-
Expenditure(KRA Tax Assesment)	(67,058,914)	-
Balance c/f	538,887,543	605,946,457

KERIO VALLEY DEVELOPMENT AUTHORITY

Annual Reports and Financial Statements

For the year ended June 30, 2022.

Notes to the Financial Statements (Continued)

10. Appropriation In Aid

(a) Other Income	2021-2022	2020-2021
Description	Kshs.	Kshs.
Beekeeping & Beehives		
Sales	42,713,986	60,174,962
Opening Stock	13,761,440	11,540,094
Add: Purchase of Semi-processed Honey	35,582,761	27,938,074
Purchase of packaging materials	3,158,125	1,280,867
Materials for Beehives Production	689,760	670,200
Less: Closing Stock	(23,021,450)	(13,761,440)
Cost of Sales	30,170,636	27,667,795
Gross profit	12,543,350	32,507,167
Less: Payment of Salaries and Wages	-	(3,238,260)
Net income	12,543,350	29,268,907
Sale of Farm Produce		
Sales	5,630,173	4,448,792
Opening Stock	-	999,085
Purchase of Farm Inputs	1,717,000	1,158,126
Less: Closing Stock	-	-
Cost of Sales	1,717,000	2,157,211
Gross profit	3,913,173	2,291,581
Less: Payment of Salaries and Wages	-	(7,419,081)
Sub-Total	-	(7,419,081)
Net income	3,913,173	(5,127,500)
Mango Juice		
Sales	4,594,556	1,507,243
Opening Stock	6,164,121	-
Add: Purchase of Raw Materials	566,243	6,138,273
Packaging materials	239,477	-
Less: Closing Stock	(2,387,970)	(6,164,121)
Cost of Sales	4,581,871	(25,848)
Gross Profit	12,685	1,533,091
Less: Payment of Salaries and Wages	-	(4,892,564)
Sub-Total	-	(4,892,564)
Net income	12,685	(3,359,473)

KERIO VALLEY DEVELOPMENT AUTHORITY

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For the year ended June 30, 2022.

Notes to the Financial Statements (Continued)

Sale of Tree and Fruit Seedlings		
Sales	3,483,225	1,553,304
Opening Stock	2,473,020	-
Add:Purchase of Seeds	231,500	1,325,000
Less: Closing Stock	(13,670,560)	(2,473,020)
Cost of Sales	(10,966,040)	(1,148,020)
Gross Profit	14,449,265	2,701,324
Less: Purchase of Tubes	-	(1,365,000)
Total expenses	-	(1,365,000)
Net profit	14,449,265	1,336,324
Pasture seed & Livestock		
Sales	2,210,149	6,434,140
Opening Stock	12,346,650	223,830
Add: Purchase of Pasture Seeds	280,750	6,749,100
Less: Closing Stock	(10,445,375)	(12,346,650)
Cost of Sales	2,182,025	(5,373,720)
Gross profit	28,124	11,807,860
Total expenses	-	-
Net Income	28,124	11,807,860
Miscellaneous receipts	23,162,836	20,531,430
Total	54,109,433	54,457,548

	2021-2022	2020-2021
	Kshs.	Kshs.
(b) Rental Income		
Rent	97,658,012	94,131,658
Less- KCB Loan interest Repayment	(33,973,347)	(34,123,887)
Less- Cleaning Services	(2,719,509)	(2,801,540)
Less- Utilities Water	(1,905,314)	(3,752,165)
Less- Utilities Electricity	(8,605,474)	(8,755,177)
Less- Security Services	(9,330,633)	(7,569,528)
Sub-Total	41,123,735	37,129,361
(c) Kenya Electricity Generating Co. Ltd	45,000,000	45,000,000
Grand Total AIA = (a) + (b) + (c)	140,233,168	136,586,909

KERIO VALLEY DEVELOPMENT AUTHORITY

Annual Reports and Financial Statements

For the year ended June 30, 2022.

Notes to the Financial Statements (Continued)

11. Employee Costs (Personnel Emoluments)

	2021-2022	2020-2021
Description	Kshs.	Kshs.
Basic Salary	119,036,738	99,481,920
House Allowance	35,160,050	20,730,775
Acting Allowance/ Incentive	720,000	2,390,793
Hardship Allowance	6,140,450	6,695,950
Extraneous Allowance	340,443	276,000
Leave & Passage	946,000	1,144,000
Commuter Allowance	9,222,600	8,681,000
N.S.S.F Employer's portion	389,800	403,800
Pension	6,196,657	5,713,584
Transfer Allowance	709,836	1,254,969
Non Practicing Allowance	280,000	60,000
Disability Help Allowances	480,000	480,000
Sub-Total	179,622,574	147,312,791

12(a) Administration expenses

	2021-2022	2020-2021
Description	Kshs	Kshs
FKE Subscription	49,400	49,400
NITA	96,000	102,550
ICT (Internet Services)	931,864	1,011,915
Outsourced Legal Services	893,893	6,008,054
Foreign travel	673,750	
Hospitality	4,453,231	4,407,636
Security	-	60,000
Maintenance of Assets	2,753,027	2,192,289
Property Mgt Fees	-	906,933
Rent & Rates-Residential	2,033,852	613,928
Maintenance of Motor Vehicle & Cycles	4,283,319	4,789,367
Fuels, oil and lubricants	4,968,594	4,866,865
Daily subsistence	5,966,997	2,393,750
Benevolent Expenses	605,200	50,000
Sales & Marketing	1,877,874	853,647
Audit Fees	812,000	812,000
Communication & Supplies Services	946,269	1,253,294
Provision for bad debts	551,518	389,306
Bad debts Written off	-	112,391
National Industrial Training Authority	-	9,041,800
Land Rates	-	2,597,205

KERIO VALLEY DEVELOPMENT AUTHORITY

Annual Reports and Financial Statements

For the year ended June 30, 2022.

Notes to the Financial Statements (Continued)		
Purchase of Workshop Tools	269,105	224,003
Livestock Vet	178,980	171,280
Office General Supplies (Stationery)	1,799,388	483,267
Uniforms & Safety Measures	48,000	46,020
Purchase of protective Clothing	24,000	281,953
Employee Satisfaction	12,000	45,000
Rewards	-	25,530
Corporate Communication	2,195,763	1,426,274
Printing & publicity Expenses	794,724	956,533
ISO, PC, M&E, & Strategic Plan	3,123,556	-
Repair of office Machines	599,549	556,280
Accommodation	3,646,508	1,397,546
Detergents & Cleaning Materials	531,983	1,208,807
Professional Subscriptions	183,810	34,350
Training Expenses	1,216,400	-
Casual Wages	9,012,894	-
Travel costs	5,589,228	3,486,065
Gratuity	-	267,848
Sub-Total	61,122,676	53,123,086

12(b) Utilities Services

	2021-2022	2020-2021
	Kshs.	Kshs.
Water	10,892	53,383
Electricity	728,549	514,372
Sub-Total	739,441	567,755

12(c) Insurance

	2021-2022	2020-2021
	Kshs.	Kshs.
Group life	957,673	1,432,912
Group Personal	376,498	399,294
Staff Cover	16,474,894	16,174,154
Motor Vehicle	3,618,511	1,279,642
Building & Equipment	705,545	-
Sub-Total	22,133,121	19,286,002
Total Admin. Expenses 12a+12b+12c	83,995,238	72,976,843

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For the year ended June 30, 2022.

Notes to the Financial Statements (Continued)

13(a) Operation/General Expenses

	2021-2022	2020-2021
Description	Kshs.	Kshs.
Pasture & Livestock Development	2,822,318	2,117,371
Erp Systems-Consultancy	-	2,337,125
Samburu	-	1,006,344
Property Refurbishment	-	2,262,301
Honey Value Chain Project	5,827,226	4,626,182
Totals	8,649,544	12,349,323

13(b) Grant Expenses

	2021-2022	2020-2021
Description	Kshs.	Kshs.
Lower Turkwel	3,838,227	2,271,017
Napuu Irrigation Project	6,820,232	11,829,418
Lomut Irrigation Project	-	18,931,565
Arror/Kimwarer Project	42,669,706	-
Drought Mitigation	1,690,861	-
Weiwei Phase III	11,681,119	33,105,172
Mango Value Chain	37,781,637	22,750,752
Chepkum irrigation Project	-	14,036,014
Total	104,481,782	102,923,938
Grand Totals a+b	113,131,326	115,273,261

14. Remuneration of Directors

	2021-2022	2020-2021
Description	Kshs	Kshs
Chairman's Honoraria	708,387	960,000
Director's Sitting Allowances	19,697,951	19,788,642
Training	1,507,594	-
Total director emoluments	21,913,932	20,748,642

KERIO VALLEY DEVELOPMENT AUTHORITY**Annual Reports and Financial Statements****For the year ended June 30, 2022.****Notes to the Financial Statements (Continued)****15. KRA Tax Debt**

	2021-2022	2020-2021
Description	Kshs	Kshs
KRA Debt Bal b/f	11,442,185	27,461,244
Amount Paid	(6,865,311)	(16,019,059)
Balance	4,576,874	11,442,185

KRA debt was occasioned by VAT tax assessment on annual income from Ken Gen which was initially treated as grants.

16 (a). KRA Tax Assessments

	2021-2022	2020-2021
Description	Kshs	Kshs
Amount payable	67,058,914	-
Amount Paid	(67,058,914)	-
Balance	-	-

16 (b). Kra Tax assessments	2021-2022	2020-2021
	Kshs	Kshs
Amount payable	8,671,695	-
Amount Paid	(4,335,848)	-
Balance	4,335,848	-

Total Tax Assessments for the year : 67,058,914 + 8,671,695 = 75,730,609

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For the year ended June 30, 2022.

Notes to the Financial Statements (Continued)

17. Property, Plant and Equipment

	Land Kshs	Survey & Drawing Equipmt. Kshs	Buildings Semi-Permanent Kshs	Building Permanent (Investment Property) Kshs	Plant Machinery & Equipment Kshs	Office Machinery & Fittings Kshs	Motor Vehicles & Lorries Kshs	Tractors & Dozers Kshs	Office Furnitures & Fittings Kshs	House Furniture & Fittings Kshs	Loose Tools & Equipmt. Kshs	Turkwel Gorge Project Kshs	Work In Progress refers to Rokocho & Mango Factories Kshs	Totals Kshs
Cost														
As at 1 July 2020	87,879,950	7,161,701	9,855,151	1,411,760,845	15,883,019	23,250,473	71,543,241	26,303,384	13,215,760	1,983,566	3,440,459	7,001,309,300	64,061,768	8,737,648,617
Additions				15,023,185.00		1,687,800.00		3,160,000.00	1,981,100.00				3,458,615.00	25,310,700.00
At 30th June 2021	87,879,950	7,161,701	9,855,151	1,426,784,030	15,883,019	24,938,273	71,543,241	29,463,384	15,196,860	1,983,566	3,440,459	7,001,309,300	67,520,383	8,762,959,317
Additions				7,531,965	1,443,733									8,975,698
Transfer/adjustment				3,458,615									(3,458,615)	-
As at 30th June 2022	87,879,950	7,161,701	9,855,151	1,437,774,610	17,326,752	24,938,273	71,543,241	29,463,384	15,196,860	1,983,566	3,440,459	7,001,309,300	64,061,768	8,771,935,015
Depreciation and impairment														
At 1st July 2020	-	6,067,168	9,432,607	318,904,664	15,091,219	16,598,085	65,692,024	24,491,613	6,594,449	1,843,848	2,396,776	2,775,984,874	-	3,243,097,327
Depreciation	-	136,817	42,254	22,157,587	197,950	1,042,524	1,462,804	1,242,943	1,075,301	17,465	130,460	84,506,489	-	112,012,594
At 30th June 2021	-	6,203,985	9,474,861	341,062,251	15,289,169	17,640,609	67,154,828	25,734,556	7,669,750	1,861,313	2,527,236	2,860,491,363	-	3,355,109,921
Depreciation	-	119,715	38,029	21,934,247	509,396	912,208	1,097,103	932,207	940,889	15,282	114,153	82,816,359	-	109,429,587
As at 30th June 2022	-	6,323,699	9,512,890	362,996,498	15,798,565	18,552,817	68,251,931	26,666,763	8,610,639	1,876,594	2,641,389	2,943,307,721	-	3,464,539,508
Net book values														
As at 30th June 2022	87,879,950	838,002	342,261	1,074,778,112	1,528,187	6,385,456	3,291,310	2,796,621	6,586,221	106,972	799,070	4,058,001,579	64,061,768	5,307,395,507
At 30th June 2021	87,879,950	957,716	380,290	1,085,721,779	593,850	7,297,665	4,388,413	3,728,828	7,527,110	122,253	913,223	4,140,817,937	67,520,383	5,407,849,396

1. Work in progress include construction of Honey and Mango processing Units in Rokocho and Tot respectively.
2. The Buildings- Permanent, refers to our Investment property of Ksh. 1,074,778,112.

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Notes to the Financial Statements (Continued)

18. Cash & Cash Equivalents

Account name		2021-2022	2020-2021
	A/C No	Kshs	Kshs
a) Current account			
1.KVDA Premises A/C	1,169,785,719	6,934,516	2,855,976
2.KVDA Development A/C	1,169,784,720	546,895,923	606,331,949
3.KVDA Recurrent A/C	1,169,784,984	258,811	279,790
4.KVDA Turkwel A/C	1,169,785,344	3,914,828	242,489
5.KVDA Depreciation A/C	1,169,786,111	264,555	270,660
6.KIDDP A/C	1,169,785,166	341,643	347,748
7.KVDA Farm Produce & Other Businesses A/C	1,133,480,969	1,488,759	775,230
8.KVDA Machinery A/C	1,131,849,132	1,201	7,306
9.KVDA Service Charge A/C	1,133,481,035	307,831	400,603
10.KVDA Honey & other Business A/C	1,146,518,099	1,494,401	1,648,067
11. KVDA Retention A/C	1,181,606,381	4,695,673	11,917,659
12.KVDA Service Centre A/C	01001027717005	-	710
13.KVDA Sigor A/C	01001027717004	-	237
14.KVDA Lake Turkana Region A/C	1,150,365,099	3,809	5,000
15.KVDA Lake Turkwel Region A/C	1,138,684,031	4,744	1
16.KVDA Lake Baringo Region A/C	1,138,684,007	23,438	34,709
17.KVDA Kerio Region A/C	1,138,683,884	2,975	(1,905)
18.KVDA Samburu Region A/C	1,148,701,583	4,744	-
19. Economic Stimulus Project - KCB	1,169,785,492	138,117	144,222
20. National Water Harvesting &Storage Program a/c - KCB	1,169,783,589	100,584,318	790,423
Total		667,360,285	626,050,874

19 (a) Trade & Other Receivables

	2021-2022	2020-2021
Description	Kshs	Kshs
Trade debtors -Tenants	21,783,370	27,652,021
Trade debtors -Other Clients	8,935,760	8,219,481
Staff Debts	876,580	279,905
Salary advances	1,654,553	2,206,070
Total	33,250,262	38,357,477

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Notes to the Financial Statements (Continued)

19 (b) Receivables from Non-Exchange Transactions

	2021-2022	2020-2021
Description	Kshs	Kshs
Wambwa Musembi, Chebii & Co. Advocates	879,996	879,996
Total	879,996	879,996
Total Receivables (a+b)	34,130,258	39,237,473

19 c) Provision for doubtful debts (25% (2,206,070) 551,518 389,306

20) Inventory

Description	2021-2022	2020-2021
Category	Kshs	Kshs
Processed Honey	11,913,140	3,012,710
Crude and semi processed Honey	10,689,210	10,652,960
Building & Plumbing	3,687,918	3,717,879
Spare Parts	195,878	199,080
Beehives & Honey Equipment	419,100	95,770
Tools & Equipment	1,611,203	1,794,169
Farm inputs	745,304	156,634
Stationery	1,727,391	1,873,783
Pasture	10,445,375	12,346,650
Agro-Vet Livestock	52,970	-
General stores	383,870	305,363
Packaging Materials	2,393,977	3,726,936
Industrial Chemicals	839,325	-
Mango puree	931,000	588,000
Mango Juice	617,645	438,435
Mature seedlings	13,670,560	2,473,020
Total	60,323,866	41,381,389

21. Grants - Aror/Kimwarer Multipurpose

	2021-2022	2020-2021
Receivable Non exchange transactions	Kshs	Kshs
Balance b/f	7,778,151,688	7,778,151,688
Aror Multipurpose Project Prior Year Advance	-	-
Kimwarer Multipurpose Project Advance	-	-
Balance c/d	7,778,151,688	7,778,151,688

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Notes to the Financial Statements (Continued)

22. Biological Assets

	2021-2022	2020-2021
Description	Kshs	Kshs
Seedlings	13,182,230	9,250,105
Animal Goats	670,000	700,000
Animal Sahiwal Cattle	3,055,000	3,728,900
Total	16,907,230	13,679,005

23.a) Trade & Other Payables

	2021-2022	2020-2021
Description	Kshs	Kshs
Creditors	47,504,359	69,308,571
National Industrial Training Authority	9,041,800	9,041,800
Accrued VAT	4,988,368	1,234,775
Salary Clearances Payable	7,515,477	-
Staff Debts Payable/Accrued wages	2,104,676	1,341,389
Retention	10,523,157	20,900,110
Tax Assesment	4,335,848	-
Whole life insurance	3,294,296	-
Total	89,307,980	101,826,645

23.b) Refundable Deposits and Prepayments from Customers

	2021-2022	2020-2021
Description	Kshs	Kshs
Prepaid Income - Rent	2,259,201	1,683,547
Total	2,259,201	1,683,547

23.c) Changes in Retention

Financial Year	Amount
2021-2022	10,523,157
2020-2021	20,900,110
Cash Outflow	-10,376,953

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Notes to the Financial Statements (Continued)

24. Audit Fees

	2021-2022	2020-2021
Description	Kshs	Kshs
Balance b/f (2017/18, 2018/19FYs& 19/20)	2,436,000	1,624,000
Current Year	812,000	812,000
	3,248,000	2,436,000
Less paid	-	-
Amount payable	3,248,000	2,436,000

25. Non-Current Liabilities (Loan)

The Authority borrowed a Loan from KCB bank of Kshs. 400 million which is being serviced.		
	2021-2022	2020-2021
Description	Kshs	Kshs
Balance b/f	292,279,531	325,588,680
Principal loan Repayment	(37,108,300)	(33,309,149)
Loan Balance c/f	255,171,231	292,279,531

26) Capital Reserves

Capital reserves represents Land, building, Tractors & Dozers, Plant Machinery, equipment, Motor Vehicles, Furniture and Turkwel Gorge.

27) Contingent Items

- i. Included in the exchange transactions is a receivable deposited by the Authority to enable it make an appeal in a court 96 of 2013 kshs. 875,996. This money was deposited as a result of a court order to enable the authority make an appeal.
- ii. There is an ongoing arbitration involving Aror/Kimwarer Dam projects where the contractor is claiming 12.3 billion shillings for default cancellation of project. The matter is being handled by the Attorney General on behalf of KVDA
- iii. The former Managing Director was awarded Ksh 23.4 million by the court for wrongful termination. This matter has since been appealed by the Authority.

Notes to the Financial Statements (Continued)

28) Financial Risk Management

The Authority's activities expose it to a variety of financial risks including credit and liquidity risks. The Authority's overall risk management Programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Authority does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The entity's financial risk management objectives are detailed below:

i) Credit risk

The Authority has exposure to credit risk, which is the risk that a counter party will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, considering its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

Financial Risk Management

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

Notes to the Financial Statements (Continued)

	TOTAL AMOUNT	FULLY PERFORMIN G	PAST DUE	IMPAIRED
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2022				
Receivables from exchange transactions	33,250,262	31,595,709	-	1,654,553
Receivables from non-exchange transactions	879,996	879,996	-	-
Bank balances	667,360,285	667,360,285	-	-
Total	701,490,543	699,835,990	-	1,654,553
As at 30 June 2021				
Receivables from exchange transactions	38,357,477	36,151,407	-	2,206,070
Receivables from non-exchange transactions	879,996	879,996	-	-
Bank balances	626,050,874	626,050,874	-	-
Total	665,288,347	663,082,277	-	2,206,070

Financial Risk Management

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for noncollectable amounts that the Authority has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Authority has significant concentration of credit risk on amounts due from suppliers. The board of directors sets the Authority credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Authority's directors, who have built an appropriate liquidity risk management framework for the management of the Authority's short, medium and long-term funding and liquidity management requirements. The Authority manages liquidity risk through continuous monitoring of forecasts and actual

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Notes to the Financial Statements (Continued)

cash flows.

The table below represents cash flows payable by the Authority under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	LESS THAN 1 MONTH	BETWEEN 1-3 MONTHS	OVER 5 MONTHS	TOTAL
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2022				
Trade payables	4,149,752	1,999,972	41,354,635	47,504,359
Current portion of borrowings	-	-	255,171,231	255,171,231
Provisions	-	-	551,518	551,518
Deferred income	-	2,259,201	-	2,259,201
Total	4,149,752	4,259,173	297,077,384	305,486,309
As at 30 June 2021				-
Trade payables	14,993,358	29,514,286	24,800,928	69,308,572
Current portion of borrowings	-	-	292,279,531	292,279,531
Provisions	-	-	389,306	389,306
Deferred income	-	1,683,547	-	1,683,547
Total	14,993,358	31,197,833	317,469,765	363,660,956

iii) Market risk

The Authority has put in place an internal audit function to assist it in assessing the risk faced by the Authority on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Authority's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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Notes to the Financial Statements (Continued)

The Authority's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the entity's exposure to market risks or the way it manages and measures the risk

iv) Capital Risk Management

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

Description	2021-2022	2020-2021
	Kshs	Kshs
Revaluation Reserve	-	-
Retained Earnings	5,279,195,807	5,203,546,991
Capital Reserve	7,696,199,073	7,696,199,073
Total Funds	12,975,394,880	12,899,746,064
Total Borrowings	255,171,231	292,279,531
Less: Cash And Bank Balances	(667,360,285)	(626,050,874)
Net Debt/(Excess Cash And Cash Equivalents)	(412,189,054)	(333,771,343)
Gearing	2%	2%

Notes to the Financial Statements (Continued)

29) Surplus Remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per cent of its surplus funds reported in the audited financial statements after the end of each financial year. Overall, the Authority reported a surplus of **Kshs 75.65 million**. The strong performance was attributed to increased receipt of government grants during the supplementary budgetary allocation. The funds were received towards the end of the financial year and will be fully absorbed in the 2022/2023 financial year.

30) Events after the Reporting Period

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

31) Ultimate and Holding Entity

The Authority is a State Corporation/ Semi- Autonomous Government Agency under the Ministry of East African Community and Regional Development. Its ultimate parent is the Government of Kenya.

32) Currency.

The financial statements are presented in Kenya Shillings (Kshs)

33) Related Party Disclosures

Nature of related party relationships

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

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Notes to the Financial Statements (Continued)

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

Other related parties include:

The Parent Ministry.

County Governments

Key management.

Board of directors.

	2021-2022	2020-2021
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
Rent income from govt. Agencies	55,900,667	62,533,453
Total	55,900,667	62,533,453
b) purchases from related parties		
Purchases of electricity from KPLC	9,334,023	9,269,549
Purchase of water from govt service providers	1,916,206	3,805,548
Training and conference fees paid to govt. Agencies	120,000	280,000
Total	11,370,229	13,355,097
c) Grants /transfers from the government		
Grants from national govt	452,180,000	157,518,500
Total	452,180,000	157,518,500
d) Key management compensation		
Directors' emoluments	21,913,932	20,748,642
Compensation to key management	32,248,395	18,435,402
Total	54,162,327	39,184,044

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Notes to the Financial Statements (Continued)

34. Transfers from other Government entities

Transfers from the State Department for Regional and Northern Corridor Development

Recurrent Grants			
	<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>FY to which the amounts relate</u>
	09.08.2021	44,045,000	2021-2022
	29.10.2021	14,681,666	2021-2022
	29.10.2021	14,681,667	2021-2022
	29.10.2021	14,681,667	2021-2022
	03.02.2021	14,681,666	2021-2022
	03.02.2021	14,681,668	2021-2022
	03.02.2021	14,681,666	2021-2022
	28.04.2022	25,348,334	2021-2022
	04.05.2022	25,348,333	2021-2022
	04.05.2022	25,348,333	2021-2022
Total Recurrent		208,180,000	
Development Grants			
	<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>FY to which the amounts relate</u>
	04.08.2021	60,000,000	2021-2022
	11.08.2021	17,000,000	2021-2022
	12.05.2022	55,666,668	2021-2022
	12.05.2022	55,666,664	2021-2022
	12.05.2022	55,666,668	2021-2022
Total Development		244,000,000	
Total Grants		452,180,000	

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Mr. Moses Kipchumba

Chief Manager Finance

APPENDIX

PROGRESS ON FOLLOW UP OF AUDITOR GENERAL RECOMMENDATIONS

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

Reference No. On the external Audit Report	Issue/Observation from the Auditor.	Management Comments
Issues Raised On The Basis For Qualified Opinion		
<p>1.0 Lack of Revaluation of property, plant and equipment</p>	<p>The statement of financial position reflects non-current assets balance of Kshs.5,421,528,400. However, the Authority's assets have not been revalued over time. This is contrary to paragraph 44 of international Public Sector Accounting Standards (IPSAS 17) on property plant and equipment which provides that frequency of revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.</p> <p>Further, the Authority did not maintain an updated asset register.</p> <p>In the circumstances, the property plant and equipment balances of Kshs,5,421,528,400 as at 30th June 2021 is not fairly stated.</p>	<p>The Authority has not managed to revalue its asset over time due to budgetary constraints. However, the Authority has initiated the process by writing to the Ministry of lands Housing and Urban development in Uasin-Gishu County to undertake revaluation of the properties and the exercise will be carried out once the funds are secured.</p> <p>The Authority has updated its Fixed Asset Register. Attached herein is up to date register of Authorities assets.</p>
<p>2.0 Trade and Other Payables from Exchange Transaction</p>	<p>The statement of financial position reflects Trade and other payables from exchange transactions balance of Kshs.101,826,645 as at 30th June 2021. Included in this balance are creditors (recurrent account) amount of Kshs.69,308,571 which have been outstanding for over 120 days. Management did not provide a settlement plan for the long outstanding payable.</p> <p>In the circumstances, the accuracy and completeness of trade payable from exchange transactions of Kshs.101,826,645 as at 30th June 2021 could not be confirmed.</p>	<p>The Authority is committed to paying its creditors and has continued to do so with a view of clearing the long outstanding amounts. Attached is a settlement plan for outstanding payables.</p>

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<p>3.0 Long Outstanding Receivables-Staff Advances</p>	<p>The statement of financial position reflects receivables balance of Kshs.39,237,473, which includes staff salary advances balance of Kshs.2,206,070 as disclosed in Note 19 (a) to the financial statements. However, the advances have been outstanding since 1998 and most of the staff members are no longer in service. The management has not provided measures put in place to recover the funds from respective staff members and has not made provision for doubtful debts.</p> <p>In the circumstances, the accuracy and valuation of receivables balance of Kshs.39,237,473 as at 30 June 2021 is in doubt.</p>	<p>It is true that the outstanding receivables have not been recovered. This is due to difficulty in tracing the departed members of staff. Management will continue with tracing efforts and will consider writing off the debts if recovery proves to be not feasible.</p> <p>The management provided for doubtful debts at a rate of 15% as shown in the financial statements note 19 (c).</p>
<p>Other Matters</p>		
<p>1.0 Budgetary Control and Performance</p>	<p>The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.388,809,500 and Kshs.294,105,409 respectively resulting to an under-funding of Kshs.94,704,091 or 24% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.544,609,529 and Kshs.551,426,944 respectively resulting to an over expenditure of Kshs.6,817,415 or 1% of the budget.</p> <p>The under-funding affected the planned activities and impacted negatively on service delivery to the public</p>	<p>The under funding or reviewing of budget downward is an occurrence beyond the Authority's control, this has always affected planned activities and impacted negatively on the service delivery. The management has always mitigated through continuous mobilization of financial resources through development of funding proposals and raising of AIA.</p>
<p>2.0 Unresolved Prior Year Audit Matters</p>	<p>In the audit of the previous year, several paragraphs were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Although management has provided explanations on the progress made on the recommendations by the Auditors, the matters have remained unresolved.</p>	<p>The Management provided responses although some issues remain unresolved due to court cases budgetary constraints and other issues beyond the Authority's control.</p>

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Report On Lawfulness And Effectiveness In Use Of Public Resources		
<p>1.0 Advance Payments on Arror Kimwarer Multi - Purpose Projects.</p>	<p>As previously reported, the statement of financial position as at 30 June 2021 reflects advance payment's multi-purpose projects balance of Kshs.7,778,151,688 as disclosed under Note 21 to the financial statements. The payments were made to the contractors towards construction of Arror and Kimwarer multipurpose dams which were to be recovered by the Authority from subsequent payments of certified works.</p> <p>However, physical verification of the Multipurpose Dam Development Project (Arror and Kimwarer) during the year under review carried out on 22 March 2022, revealed that the contractor is not on site, there are no signposts, and no work is in progress an indication that the project construction works have not commenced. The project is behind contract programme schedule, and it is not known when the land acquisition process will be concluded and when construction work will start. Further, although records provided show that the matter is pending before the international court of arbitration, the management has not made any provision for doubtful debts in respect of the advance payments of Kshs.7,778,151,688.</p> <p>In the circumstances, value for money has not been realized on the advance payments on the multi purpose projects of Kshs.7,778,151,688.</p>	<p>The advance payments of Kshs 7,778,151,688 were in line with the contract signed between KVDA and CMC Di-Ravena. There has been an ongoing investigation and subsequently court case and arbitration on the project. A disclosure of contingent liability on these projects has been made in the notes (note 27) to the financial statements.</p>
<p>2.0 Failure to Allocate Adequate Resources for Development Expenditure</p>	<p>During the year under review, the Authority had budgeted Kshs.57,338,500 for development expenditure which was approximately 19% of the total budget of Kshs 294,105,409. This was contrary to regulation (26)(1)(f) of Public Finance Management (National Governments) Regulations, 2015 which stipulates that pursuant to section 15 (5) of the Act, the national government expenditure on development shall be at least thirty percent of the total budget. Consequently, Management was in breach of law.</p>	<p>The Authority had an original development budget of Kshs.114,677,000 which was adjusted downwards by 50% to Kshs.57,338,500. This therefore was beyond the Authority's control. The occurrence affected planned activities and impacted negatively on the service delivery.</p>

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<p>3.0 Non compliance with Law on Appointment of Members of the Board of Directors.</p>	<p>During the year under audit, and as previously reported, the Authority's Board of Directors was composed of sixteen (16) members which was above the number prescribed under the Kerio Valley Development Act,1979 which provides for twelve (12) Board members Further ,this was also above the provisions of code of governance for state corporations (Mwongozo), 2015 whose aim was to streamline governance structures and curtail excessive costs of running state corporations' boards and specifically requiring a maximum of 9 members per state corporation.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>The appointment of Board members squarely lies with the appointing authority and management have no role in the exercise.</p> <p>To mitigate this the Authority in liaison with other Regional Development Authorities is lobbying for the review of its Act to be in line with Mwongozo.</p>
<p>4.0 Non Compliance with the Law on Compensation of Employees</p>	<p>The Authority incurred expenditure amounting to Kshs.147,312,791 on personnel emoluments during the year under review against total budgeted receipts of Kshs.388,809,500 or approximately 38% of the total budgeted receipts. This was contrary to Section 26(1)(a) and (b) of the Public Finance Management (National Governments) Regulations, 2015 which stipulates that National government's expenditure on the compensation of employees (including benefits and allowances) shall not exceed 35 percent of the revenue raised.</p> <p>In the circumstances, Management was in breach of the Law.</p>	<p>The same has been noted with regret, we will continuously mobilize for development resources to avoid occurrence of this situation.</p>
<p>5.0 Non -Compliance with Law on Ethnic Composition.</p>	<p>Review of the human resource data revealed the Authority had a staff establishment of one hundred and sixty-five (165) employees out of whom one hundred and ten(110) or 67% employees were from dominant community. This was contrary to section 7 of the National Cohesion and Integration Act 2008 which provides that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third</p>	<p>The Authority was established in 1979 under cap 441 of the laws of Kenya. Its area of operation covers the counties of West Pokot, Elgeyo Marakwet, Baringo, Turkana and Samburu. It undertakes projects/ activities such as catchment conservation, crop production, livestock upgrading, water</p>

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	<p>of staff from the same ethnic community. Management has not demonstrated measures taken to comply with the provision.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>development and hydro-power generation among others. The above-mentioned projects/activities are performed in farms given to the Authority by the communities residing in the mentioned counties with an agreement that the Authority will engage the community members to undertake implementation of the projects.</p> <p>This contributed to the status where majority of staff are from the surrounding communities.</p> <p>To address this, the Authority is planning to achieve National cohesion in the establishment through future recruitment by giving employment opportunities to underrepresented communities. This approach will go on progressively until representation of all communities is achieved.</p>
<p>6.0 Implementation of Napuu Irrigation Project</p>	<p>Included in the operation expenses balance of Kshs. 115,273,261 in the statement of financial performance is an amount of Kshs. 102,359,938 in respect to Grant expenses out of which an amount of Kshs. 11,829,418 was paid out to the Napuu Irrigation project for general expenses, borehole drilling, installation of a 250kw solar grid, phase 3 connection to the farm, office rent, planting and farm works</p> <p>However, a physical visit and inspection of the farm in November 2021 established that the farm in question lay bare and fallow with minimal agricultural activities. Interviews with the farm management revealed that the last harvesting was done in December 2020 where only watermelon and green grams were harvested in a fifty-acre farm out the 150 acres. Further, the records of the produce could not be verified nor was the physical produce in the store. It was also established that no major agricultural</p>	<p>The Authority has been facing downward budget revisions which has in turn affected Authorities projects and programs including Napuu project.</p> <p>Management notes the audit observation and shall continually mobilize resources to ensure ongoing development projects are concluded.</p>

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	<p>activities had taken place since January 2021.</p> <p>In the circumstance, value for money has not been realized in the establishment of the project whose objective was food security for the local community.</p>	
<p>Report On Effectiveness Of Internal Controls, Risk Management And Governance</p>		
<p>1.0 Lack of Capacity in the Internal Audit Function.</p>	<p>During the year under review, the Authority had an internal audit function in place with a total staff of two (2) officers against an approved staff establishment of seven (7) officers. The audit unit may not offer effective oversight role to the Authority due to the under staffing.</p> <p>In the circumstances, the existence of an effective internal control mechanism could not be confirmed</p>	<p>The Authority has been unable to recruit over the years because of the government freeze on employment. This in turn affected the staffing levels of various cadres including that of internal audit. Following the lifting of the freeze, management is currently reviewing its HR instruments with a view of seeking for approval to recruit to fill the existing gaps in staff establishment.</p>
<p>2.0 Lack of an inventory Management Policy</p>	<p>The statement of financial position reflects inventory balance of Kshs.41,381,389 as of 30 June 2021 comprising of processed honey, crude and semi proceeded honey, building and plumbing, spare parts, beehives & honey equipment, tools and equipment, farm inputs, stationery, agro-vet (livestock), farm products and general stores. However, the Authority does not have an inventory management policy to provide formal guidance on the management of inventory.</p> <p>In the circumstances, the existence of an effective mechanism to safeguard public assets could not be confirmed.</p>	<p>The Authority developed financial management policy covering Inventory management policy among other policies, attached herein is the policy for your information.</p>

