


Enhancing Accountability



REPORT

THE NATIONAL ASSEMBLY

DATE: 15 FEB 2022 DAY: Thursday

TABLED BY: LOM OF

CLERK-AT THE TABLE: Gertrude Choba

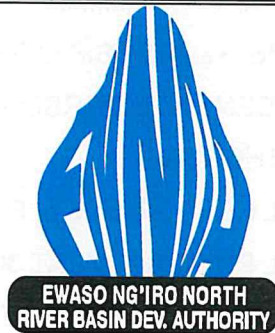
THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE, 2020**

REPUBLIC OF KENYA



EWASO NG'IRO NORTH RIVER DEVELOPMENT AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020**

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

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020

| Table of Content | Page |
|--|------|
| I. KEY ENTITY INFORMATION AND MANAGEMENT | 1 |
| II. THE BOARD OF DIRECTORS | 3 |
| III. MANAGEMENT TEAM..... | 7 |
| IV. CHAIRMAN'S STATEMENT..... | 10 |
| V. MANAGING DIRECTOR'S STATEMENT | 12 |
| VI. CORPORATE GOVERNANCE STATEMENT | 14 |
| VII. MANAGEMENT DISCUSSION AND ANALYSIS..... | 18 |
| VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING | 21 |
| IX. REPORT OF THE DIRECTORS | 26 |
| X. STATEMENT OF DIRECTORS' RESPONSIBILITIES | 28 |
| XI. REPORT OF THE INDEPENDENT AUDITORSON THEEWASO NGIRO NORTH RIVER BASIN DEVELOPMENT AUTHORITY | 29 |
| XII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 TH JUNE 2020.. | 30 |
| XIII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020 | 31 |
| XIV. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020..... | 32 |
| XV. STATEMENT OF CASHFLOWFOR THE YEAR ENDED 30TH JUNE 2020..... | 33 |
| XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTSFOR THE YEAR ENDED 30TH JUNE 2020 | 34 |
| XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS | 59 |
| XVIII. Appendix 1: PROJECTS IMPLEMENTED BY THE ENTITY | 62 |
| APPENDIX III: INTER-ENTITY TRANSFERS | 63 |
| APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES..... | 64 |

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

(b) Principal Activities

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

(c) Key Management

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

- Board of Directors
- Managing Director
- Senior Managers

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2020 and who had direct fiduciary responsibility were:

| No | Designation | Name |
|-----|---|------------------------------|
| 1. | Managing Director | Eng. Ali Ibrahim Hassan, PhD |
| 2. | Chief Technical Services & Operations Manager | Mr. Josiah W. Mulwa, HSC |
| 3. | Planning & Special Programs Manager | Mr. John Mwaniki Njoka |
| 4. | Finance Manager | Ms. Lucy W. Wamaru |
| 5. | Chief Internal Auditor | Mr. Abdirizak M. Abdille |
| 6. | Ag. Human Resource & Admin Manager | Ms. Esther K. Rimberia |
| 7. | Chief Accountant | Ms. Fouzia Hared Abdi |
| 8. | Procurement Officer | Ms. Fatuma Ali Jillo |
| 9. | Regional Manager | Mr. Abdullahi Wario Mio |
| 10. | Regional Manager | Mr. Kiptisia K. David |
| 11. | Regional Manager | Mr. Maimuna Mohamud |
| 12. | Desk Officer | Mr. Abdullahi Jarso Guyo |
| 13. | Desk Officer | Mr. James A. BoruKonso |

(e) Fiduciary Oversight Arrangements

The Audit committee (AC) and the Finance & Administration committee of the of the Authority's board provide overall fiduciary oversight on the activities of Ewaso Ng'iro North River Development Authority. The reports and recommendations of the Audit committee and the finance & Administration committee when adopted by the board are forwarded to the management for implementation. Any other issues that require policy guidance are forwarded by the board to the Cabinet Secretary through the office of the Principal Secretary.

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020

(f) Authority Headquarters

REGISTERED OFFICE: Ewaso Ng'iro North River Basin Development Authority
P.O. BOX 203, Fax 064 -5352507
ISIOLO.
Tel.064 – 5352002/5352507/8
Email:ewasonorth14@hotmail.com

(g) Authority Contacts:

Telephone: (254) 5352507
E-mail: ewasonorth14@hotmail.com
Website: www.ennda.go.ke

(h) Authority Bankers:

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

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020

II. THE BOARD OF DIRECTORS


The Board is composed of twenty six (26) members, with twelve of them being drawn from the private sector, twelve representatives from the public sector and an Executive Managing Director including the Chairman, who is non-executive and appointed by the President from the private sector, and serves for a maximum of two 3-year terms. The members of the Board who held office during the year are as follows:-

| Director's passport-size photo and name | Director's date of birth, key qualifications and work experience |
|---|---|
|  <p>Mohamed Liban Chairman</p> | <p>He was born in 1961 and was appointed as the Chairman of the Board on 3rd May 2019.</p> <p>Qualifications: Masters of Public Health and Epidemiology from Kenyatta University in 2005 with Higher Diploma in Cataract Surgery (Intra-ocular lens implant Surgery), International Diploma in Community Eye Health from London University, Higher Diploma in Ophthalmology, Diploma in Clinical Medicine and Surgery, and Certificate in Refraction.</p> <p>Work Experience: Currently he is the Proprietor, Isiolo Vision Centre providing comprehensive eye care services.</p> <p>2015 to 2017: Regional Elections Co-ordinator for Upper Eastern Region.(IEBC) 2011 to 2015: Regional Elections Co-ordinator for Upper North Eastern [Wajir and Mandera Region](IEBC) 2009 to 2011: Regional Elections Co-ordinator for Upper Eastern Region(IIEC) 2008 to 2009: Regional Manager for Upper Eastern Region for the Kenya Red Cross Society(KRCS) 1984 to 2007: Ministry of Health</p> |
|  <p>Eng. Ali Ibrahim Hassan, PhD Managing Director/CEO</p> | <p>Date of birth:1965</p> <p>Qualifications: Senior-Level Executive - Corporate Strategy, Development & Implementation. Holder of Degrees of Doctor of Philosophy (PhD) in Project Management, Master of Science in Project Management (MSc), Masters in Business Administration (MBA) and Bachelor of Science in Civil Engineering (BSc).</p> <p>Work Experience: <i>31 years experience (1989-2020) in Construction Projects Management, Financial Management and Human Resources Management and Administration in the public sector.</i></p> <p>1st October, 2019 to date: Ewaso Ng'iro North Development Authority Position: Managing Director</p> <p>3rd April, 2017 to 29th March, 2018: National Water Conservation & Pipeline Corporation Position: Acting Managing Director</p> <p>4th January, 2016 to 3rd September, 2019: National Water Conservation & Pipeline Corporation Position: General Manager, Construction & Electro - Mechanical Department</p> <p>18th February, 2009 to 31st December, 2015:</p> |

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020

| Director's passport-size photo and name | Director's date of birth, key qualifications and work experience |
|---|--|
| | <p>Kenya Rural Roads Authority Position: Manager/ Regional Manager:</p> <p>2nd April, 1998 to 17th February 2009: Ministry of Roads and Public Works Position: District works officer/District Roads Engineer:</p> <p>19th December, 1989 to 1st April, 1998: Ministry of Agriculture Position: Soil and Water Conservation Officer</p> |
|  <p>Paul Rushdie Russo Director and Chairman Finance & Administration Committee</p> | <p>Mr. Russo joined the Board on 8th February 2019.</p> <p>Qualifications: Paul holds a Bachelor of Arts (Business Management) (Hons) from Moi University, Kenya; a Higher Diploma in Human Resource Management from Institute of Human Resource Management, Kenya; and an MBA from Strathmore Business School, Strathmore University, Kenya</p> <p>Paul is currently the Managing Director, CEO and Executive Director at National Bank of Kenya. He has progressive Senior and Executive Human Resources Management experience with extensive involvement in enterprise service delivery, organizational design, human capital optimization, employee relations, people transformation and change. He has held national and regional roles in Kenya, Tanzania, South Africa and Africa Regional Management Offices. He has worked for Barclays, PricewaterhouseCoopers, K-Rep Bank, Unga Holdings Limited and East African Breweries Limited.</p> <p>He was also the Receiver Manager at Chase Bank Limited (In Receivership) on behalf of KCB Bank Kenya Limited.</p> |
|  <p>Abdalla Hassan Abdalla– Director</p> | <p>Mr. Abdalla was born in 1986 and joined the Board on 2nd October 2015. He was further re-appointed to the Board on 8th February 2019. He holds a Bachelor degree in Commerce (Procurement & Supply chain Mgt option). He has 10 years' experience in Civil Engineering Contractor, Entrepreneur & Civil Engineering Consultancy.</p> |
|  <p>Isaack Kara Boru– Director and Chairman Audit Committee</p> | <p>Mr. Isaack Kara was born in 1958 and joined the Board on 8th February 2019.</p> <p>Qualifications: Diploma in School Administration He has wide experience in public service for a period spanning over 37 years, this being his second appointment to the Board. He served in the same capacity from 1994-2000 in the ENNDA Board. 1992 to 2002: Executive Secretary KNUT(CO) Isiolo Branch</p> <p>He is currently the Chairman Practical Solutions (CBO)</p> |

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020

| Director's passport-size photo and name | Director's date of birth, key qualifications and work experience |
|--|--|
|  <p>Thomas Leremore- Director</p> | <p>Thomas Leremore joined the Board on 8th February 2019.</p> <p>Qualifications:</p> <ul style="list-style-type: none"> • MA in International Conflict Management, University of Nairobi, 2013 • BA in Political Science and Sociology, University of Nairobi, 2006 • Diploma in Natural Resource Management, University of Nairobi, 2002 <p>2018-Date: Currently serving as the Chief Executive Officer of Peace and Development Network (PeaceNet – Kenya). PeaceNet is a national network established to consolidate a broad based national coalition of peace actors (NGOs, CBOs, FBOs and Practitioners) in Kenya. PeaceNet has been the taskforce leader of the United Nation's Cluster for Early Recovery and Food Security and has continued membership in Education, Humanitarian, and Protection clusters.</p> <p>January 2018 -to date: Visiting lecture, Presbyterian University of East Africa</p> <p>2007-2010: Director, Peace and Justice Commission, Presbyterian Church of East Africa (PCEA).</p> <p>February 2016- to date: Director, Go Energy Limited. Go Energy is private limited Company dealing with import and export of petroleum products</p> <p>May 2010: On behalf of Japan Centre for Conflict Prevention, he undertook consultancy work on country profiles and security situation analysis in the Great Lake Region and Horn of Africa.</p> <p>7th – 25th June 2010: On behalf of the Japan Centre for Conflict Prevention, facilitated three training workshops for 20 community-based organizations in Nairobi, Naivasha and Nakuru on formation of peace agents to help in post-election resettlement.</p> <p>2009-2010: Reformed Church of America consultant for a one-year program sponsored by RCA on reconciliation in Rift valley province. The work involved bringing together communities that were involved in 2007/2008 post electoral violence in Eldoret, Kitale, Kericho, Molo and Kuresoi</p> <p>2013-2014: Undertook a one-year consultancy for the Evangelical Lutheran Church in Kenya and helped to establish peace department and peace programs for Evangelical Lutheran Church in Kenya</p> |
|  <p>Hon. NasraIbren Ibrahim- Director</p> | <p>Hon. Nasra Ibrahim joined the Board on 8th February 2019</p> <p>Qualifications</p> <p>2014-2015: United State international university-Africa Global Executive Masters in Business Administration (GeMBA) Nairobi, Kenya.</p> <p>2005-2007: Khartoum International Institute of Arabic language Masters in teaching Arabic language as a second language. Khartoum, Sudan.</p> <p>2004: International University of Africa Certificate in teaching – primary and secondary Levels. Khartoum, Sudan</p> <p>2001-2004: International University of Africa Bachelor of Education, Arabic language. Khartoum, Sudan.</p> <p>2001-2002: High institute of Islamic studies Diploma in Islamic studies. Khartoum, Sudan.</p> <p>2018 to date:Executive Director, Maragua Muslim girls secondary school.-</p> |

**Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020**

| Director's passport-size photo and name | Director's date of birth, key qualifications and work experience |
|--|---|
| | <p>Muranga county. 2013 – 2017:Member of the National Assembly (MP), Marsabit County. 2010-2012: Principal (headmistress) Maragua Muslim Girls secondary school. Muranga – Kenya. 2010: Deputy Principal. Maragua Muslim girls sec school Muranga-Kenya.</p> |
|  <p>Ahmed Mohamed Abdi Ogle– Director</p> | <p>Mohamed Ogle joined the Board on 8th February 2019. Qualifications: MBA(Project Management) from the University of Wales-UK He has vast experience in project planning and management, financial management, monitoring and evaluation and quality control. Currently he is the Project Manager at Ogle Construction Company.</p> |
|  <p>MargaretMumbiMwago– Director</p> | <p>Margaret Mumbi joined the Board on 8th February 2019. Qualifications: PhD Project Planning and Management-Ongoing at the University of Nairobi Master of Arts(Project Management) from the University of Nairobi She has led at the Policy making level in various institutions such as Athi Water Services Board, AMREF flying Doctors and has immense knowledge in developing Corporate strategy, Performance Management and executing projects. Currently she is a Board Director for Athi Water Services Board.</p> |
|  <p>Farah Abdikadir Mohamed– Director</p> | <p>Farah Abdikadir joined the Board on 8th February 2019. Qualifications Diploma in Community Development February 2011 – July 2011: Deport Administrative Manager, Hass Petroleum Uganda May 2010 – January 2011:Area Manager (Bunia and Ariwara), Hass Petroleum Eastern Congo, DRC January – November 2009: Logistics/Program Officer, Mercy Corps Somalia November 1995 – January 2009: Clerk, Al-Maaruf Company Limited</p> |
|  <p>Christopher Ndegwa, HSC- Director</p> | <p>Christopher Ndegwa was born in 1958 and joined the Board on 8th February 2019. Qualifications: B.Ed-Science(Hon) from the University Of Nairobi. Current Status: Chairman- Board of Directors Yetu Sacco, Managing Director- Nkubu Heritage Hotel He has a long history in the Public Service spanning over 35 years.</p> |

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020

| Director's passport-size photo and name | Director's date of birth, key qualifications and work experience |
|--|--|
|  Ahmed Ibrahim Hajj-Director | Ahmed Hajj was born in 1968 and joined the Board on 8 th February 2019. Qualifications: Bachelor of Commerce (Business Administration option) - (Second Class Honours) 2011 to 2016: General Manager, Pyramid Construction Company Ltd 2005 to 2011: Managing Director, Fast Trucks Limited 1995 to 2005: Commission Agent, SME (A Sole Proprietorship in the petroleum and transport industry) |
|  Robert Lemerketo-Director | Robert Lemerketo joined the Board on 8 th February 2019. Qualifications: Master of Business Administration- Kenya Methodist University Master of Financial Services- Anamalai University Tamil Nadu India Successfully completed coursework in self-directed, self-paced learning environment. Bachelor Of Commerce- Jabalpur University India Jabalpur 2014 – 2017: Lecturer Marist International College 2011 – 2012: Nyayo House Headquarters 2006 - 2010: Immigration Office Jomo Kenyatta International Airport 2005 – 2006: Immigration office Suam Border point |



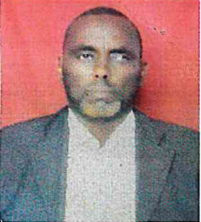
III. MANAGEMENT TEAM

| | Manager's passport-size photo and name | Profession/academic qualifications and main area of Responsibility |
|----|---|--|
| 1. |  Eng. Ali Ibrahim Hassan, PhD Managing Director | Managing Director Manager Area of responsibility Managing the Affairs of the Authority |
| 2. |  Josiah W. Mulwa, HSC | Chief Technical Services & Operations Manager -B.Sc (Agric. Eng), M.Sc. (S & W/Eng.) Area of responsibility In charge of Technical Services and Operations in the Authority |
| 3. |  Lucy Wamaru | Finance Manager - BBA (Accounting option) Area of responsibility Finance Department |

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020

| | Manager's passport-size photo and name | Profession/academic qualifications and main area of Responsibility |
|-----|--|--|
| 4. |  Abdirizak M. Abdille | Chief Internal Auditor -BCom, CPA II Area of responsibility Audit Section |
| 5. |  Fatuma Ali Jillo | Procurement Officer - Bcom Finance Opt Area of responsibility Procurement Department |
| 6. |  John N. Mwaniki | Planning & Special Programs Manager, MSc(Reg. Dev. Planning) Area of responsibility Planning Department |
| 7. |  Abdullahi Wario Mio | Regional Manager - Bsc(Community Development), MA (Community Development) Area of responsibility Upper Eastern Regional Office |
| 8. |  Esther K. Rimberia | Ag. Administration & Human Resource Manager - BSc., Msc (Business Adm. & Project Mgt) Area of responsibility Administration & Human Resource Department |
| 9. |  Fouzia Hared Abdi | Chief Accountant- BBA (Accounting option) Area of responsibility Accounts Department |
| 10. |  Kiptisia K. David | Regional Manager - Bsc. (Statistics/Chem.) Area of responsibility Central Regional Office |

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020

| | Manager's passport-size photo and name | Profession/academic qualifications and main area of Responsibility |
|-----|---|---|
| 11. |  Garat Kassim Adow | Transport and Mechanization Officer Area of responsibility Transport Operations in the Authority |
| 12. |  M. M. M. M. | Regional Manager - Bsc., Msc(Project Planning) Area of responsibility Garissa Desk office |
| 13. |  Ahmed M. Abdi | Regional Manager Area of responsibility North Eastern Regional office |
| 14. |  Abdullahi Jarso Guyo | Regional Manager - BCom (Economics) Area of responsibility Samburu Desk office |
| 15. |  J.A. Boru Konso | Regional Manager Area of responsibility Isiolo Desk office |

IV. CHAIRMAN'S STATEMENT



**Mohamed Liban
Chairman**

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

It gives me pleasure to present the Ewaso Ng’iro North River Basin Development Authority's Annual Report and Financial Statements on behalf of the Board of Directors for the year ended 30th June 2020. The Authority delivered few projects and programmes owing to limited funding during the year under review.

CORPORATE SOCIAL RESPONSIBILITY

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

During the year 2019/2020, the Authority was involved in various Corporate Social Responsibility initiatives aimed at impacting positively on the lives of respective communities. The Authority's Corporate Social Responsibility activities focused on response to distress calls by undertaking water trucking in Isiolo, and Garissa counties, training of local youth on entrepreneurial skills among others. Construction and rehabilitation of water points in some counties within the Basin and carrying out hydro geological surveys as well as drilling more than 27 boreholes for Nyandarua County in collaboration with the County Government of Nyandarua. Also the Authority assisted communities neighbouring its headquarters with water and drilled two boreholes one in Tullu Roba community, about 200m from its headquarters and the other for KMTC, about 1km from its headquarter. These efforts will be spread to other parts of the basin in future wherever resources allow.

FUTURE OUTLOOK

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

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020

APPRECIATION

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

In conclusion, I thank our customers, the community and other business partners for supporting our organization in various ways. We are confident that with your support we shall make the Authority the leading agency in Regional Planning and Development.

Thanks and God Bless you.



Mohamed Liban.
CHAIRMAN

V. MANAGING DIRECTOR'S STATEMENT



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

I am delighted to present the Authority's Annual Review in line with our commitment in keeping our customers and other stakeholders aware of the Authority's performance and development, during the financial year that ended 30th June 2020.

The core activities of the Authority are planning, coordination, and implementation of integrated multi-sectoral projects and programmes based on its four main Programme areas of: Development of River banks, water bodies and catchment areas; Regional Development planning; Integrated Basin Based Development; and Community Empowerment & Support programmes. During the reporting period, the Authority had aligned its projects and programmes to the Big four and endeavoured to tapping opportunities for employment creation in the Manufacturing Sector through its Gum Arabic and Resins development project in Wajir, Planting of fruit trees in community farms for food and nutrition security, development of hygienic water supply structures for enhanced health of the communities and is expected to enhance these efforts in the coming years.

OPERATIONAL PERFORMANCE

During the year under review, the Authority has been able to successfully carry out the following under the two project areas:

- (i) Ewaso Ng'iro North Catchment Conservation, riparian protection and rehabilitation: drilled, developed and equipped nine (9) boreholes using solar system.; increased water storage in the basin by constructing four (4) water pans and flood storage structure having a storage volume of 200,000m³, protected, and conserved spring in Ngilai are of Samburu East and developed a water supply scheme for public institutions, domestic and livestock use where more than 5000 households and 10,000 livestock benefited. Additionally, under this component, the Authority rehabilitated three(3) water pans through desilting and provision required auxiliary facilities for use, with total storage of 60,000m³; Further, the Authority developed two (2) tree nurseries for propagating tree seedlings to be planted in the basin during the wet season; Under non consumptive forest conservation, the Authority procured and supplied 120 beehives and honey harvesting kits to youth and women groups within the basin in Wajir North (Wajir County), Igembe North and Buuri (Meru County) Constituencies to encourage forest conservation.
- (ii) Large Water harvesting Reservoirs; under the drought mitigation programme, the Authority managed to secure funding for development of four (4) mega dams in the basin to supply water for domestic, livestock and irrigation to enhance food security and nutrition. These projects are at different levels of completion and expected to be completed in the first half of the subsequent financial year.
- (iii) Community Empowerment and support: Community Empowerment and Support Programme during this period included mapping of gums and Resins resources in Wajir County for value addition to the gums and resins abundantly available in the basin, award of a contract for the development of a second line of the factory to process gums and resins. This will lead to creation of employment in addition to providing alternative income source for the local community. The project is ongoing and due for commissioning in the first half of the next financial year.

Investments

Though the Authority's development has been hampered by reduced funding and poor rainfall during the reporting year, nonetheless, The Authority has been able to undertake elaborate review of the guiding document: the Strategic Plan, and Human resources Management tools which provides the path ahead for development.

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020

The Strategic Plan

During the year, the Authority continued implementing projects and programmes as planned in the Strategic Plan 2018-2022. The Strategic Plan recognizes progressive changes and national transformation strategies that have been embedded in government policy documents and operations including the “Big Four” Agenda.

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

The Human Resource Tools

During the reporting period, the Authority managed to finalize on the Human Resource Tools, and enabled the organization to be upgraded from scale E1 to E2 in the Parastatal classification used in Kenya. The tools provide clear pathways for management, career development and enhance will aid in service delivery of the Authority.

Risk Management

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

Service Delivery

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

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

Safety, Health and Environment

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

Appreciation

I would like to thank our customers, our dedicated and talented staff, our service providers, the County Governments’ under the jurisdiction of the Authority and all other stakeholders for their contribution during the year. The collaborative efforts provided by Peacelink, Isiolo Conservation Trust, Kivulini Trust, MID_P and the various County Governments cannot be left unmentioned. We express our thankfulness to them all among others. I look forward to their continued support as we strive to provide unparalleled services to the community and stakeholders of the Basin.



Eng. Ali Ibrahim Hassan, PhD
MANAGING DIRECTOR.

VI. CORPORATE GOVERNANCE STATEMENT

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

The Board Size, Composition and Independence

The Board consists of twenty-five (25) directors out of whom thirteen (13) are independent non-executive directors including the Chairman, Executive Managing Director and twelve (12) Alternate directors representing various government institutions. The Board composition draws a good mix of skills, experience and proficiencies in various fields bringing together a broad array of leadership and management skills into the Authority.

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

Board Responsibility

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

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

A summary of the Board responsibilities are as follows:

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

Chairman and Managing Director

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

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020

Board Remunerations

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

Board and Strategy/Committee Meetings

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

The board work plan together with the calendar (Almanac) of meetings for 2019/2020 were fixed in advance and provided to all the directors. However, the last half of the financial year was adversely affected by the advent of the Corona virus pandemic and thus most of the planned meetings were not held as scheduled. In this regard, the authority management organized virtual meetings through zoom where necessary approvals were sourced.

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

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

Directors' External Activities and Conflict of Interest

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

Board Structure

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

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

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

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

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

**Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020**

Details of the committees are given below:

Finance and Administration Committee

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

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

Planning and Development Committee

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

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

Audit Committee.

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

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

Membership of Board Committees

| S/no | Name | Classification of Directors | Committees | | |
|------|------------------------------|-----------------------------|------------------------|--------------------------|-------|
| | | | Planning & Development | Finance & Administration | Audit |
| 1. | Mohamed Liban | Independent/Chairman | - | - | - |
| 2. | Eng. Ali Ibrahim Hassan, PhD | Managing Director | - | - | - |
| 3. | Abdalla Hassan Abdalla | Independent | | √ | |
| 4. | Margaret Mumbi Mwago | Independent | | √ | |
| 5. | Robert Lemerketto | Independent | | √ | |

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020

| S/no | Name | Classification of Directors | Committees | | |
|------|--------------------------|-----------------------------|------------------------|--------------------------|----------|
| | | | Planning & Development | Finance & Administration | Audit |
| 6. | Farah Abdikadir Mohamed | Independent | | √ | |
| 7. | Thomas Leremore | Independent | | | √ |
| 8. | Ahmed Ibrahim Hajj | Independent | Chairman | | |
| 9. | Isaack Kara Boru | Independent | | | Chairman |
| 10. | Hon. Nasra Ibrahim Ibren | Independent | √ | | |
| 11. | Paul Rushdie Russo | Independent | | Chairman | |
| 12. | Christopher Ndegwa | Independent | | | √ |
| 13. | Ahmed Mohamed Abdi Ogle | Independent | | | √ |
| 14. | Benson Kinyua | Alternate | | √ | |
| 15. | Eng. Richard Kanui | Alternate | √ | | |
| 16. | Joseph Onyango | Alternate | | | √ |
| 17. | Patrick Mugo | Alternate | | √ | |
| 18. | Mrs Lornah Odero | Alternate | | | √ |
| 19. | Mr. Dan K. Marangu | Alternate | √ | | |
| 20. | Mr. Daniel Nyameti | Alternate | | | √ |
| 21. | Mr. Parnwell Gitongah | Alternate | √ | | |
| 22. | Mr. Michael Odulwa | Alternate | √ | | |
| 23. | Eng. Stephen Githinji | Alternate | √ | | |
| 24. | H .M. Shambi | Alternate | | | √ |
| 25. | Mr. Gerald Mwangi | Alternate | | √ | |

VII. MANAGEMENT DISCUSSION AND ANALYSIS



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

I am delighted to present the Authority’s Management Discussion and Analysis of performance for the year under review in line with our commitment in keeping our customers, the Shareholders (Government) and other stakeholders aware of the Authority's performance and development, during the financial year ended 30th June 2020.

Eng. Ali Ibrahim Hassan, PhD
Managing Director/Chief Executive Officer

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

OPERATIONAL PERFORMANCE

During the Year under Review, the Authority embarked on two (2) Projects, namely *Ewaso Ng'iro North Integrated Catchment Conservation and riparian protection and rehabilitation Project, Gums and Resins Development Programme*. The Authority has been able to successfully carry out the following activities under the three Programme/Project areas:

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

Under this programme, nine (9) boreholes were drilled successfully and equipped with solar pumping system, one (1) was drilled but unsuccessful, seven (7) water pans and retention structures constructed/rehabilitated making an additional water storage of 260,000m³ in the basin, 120 beehives and honey harvesting kits provided to local youth and women groups. The Authority further protected a spring in Ngilai and constructed a water supply scheme by incorporating solar pumping and provision of distribution networks.

b) Drought Mitigation Programme

Under this programme, four (4) Mega dams were surveyed, designed and funding sourced from the government of Kenya. These reservoirs two(2) have storage capacities of 500,000m³ each and the other two (2) have storage capacities of 200,000m³ each all giving a total of 1.4million m³ of additional water storage when completed and provide enough water for domestic, livestock and agriculture in the concerned areas. This will bring positive impact towards alleviation of food insecurity and improved nutrition.

c) Gums and Resins processing Factory

Under this project, the Authority concentrated on re-construction of the Gums and Resins processing factory. It also embarked on mapping the gums and Resins resources to facilitate location of collection centres to supply raw materials to the factory when completed in the first half of the next financial year.

Investments

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

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020

| | Project | Total project Cost | Total expended to date | Completion % to date | Budget | Sources of funds |
|---|--|---------------------------|-------------------------------|-----------------------------|---------------|-------------------------|
| 1 | Ewaso Ng'iro North Integrated Catchment Conservation Project | 1,500,000,000 | 396,000,000 | 26 | 251,400,000 | Gok |
| 2 | Gums and Resins Development Programme | 400,000,000 | 220,000,000 | 55 | 85,000,000 | Gok |
| 3 | Ewaso Ng'iro North Livelihoods Transformation Programme | 18,200,000,000 | 700,000,000 | 4 | 700,000,000 | Gok |

Risk Management

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

Service Delivery

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

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

Safety, Health and Environment

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

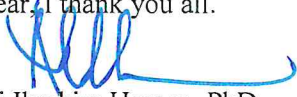
Appreciation

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

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

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020

dedication towards achieving the successes and making the forward leaps that the organization has witnessed in the year. I thank you all.



Eng. Ali Ibrahim Hassan, PhD
MANAGING DIRECTOR

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The Authority's Corporate Social Responsibility activities focused response to distress calls by undertaking water trucking in Isiolo, Marsabit, Wajir, Mandera, and Garissa counties. Construction and rehabilitation of water pans in some counties within the Basin and carrying out hydro geological surveys as well as drilling more than 27 boreholes for Nyandarua County in collaboration with the County Government of Nyandarua and others as shown below.



Drilling borehole at Tullu Roba Mosque Compound Isiolo County



Drilling Community boreholes in Nyandarua County



Provision of drinking water for Wajir community



Pastoralist community in Bute watering their livestock

Water Trucking Exercise within the Basin



ENNDA Water browser delivering water to Wajir community during the drought period



Livestock drinking water in Wajir

FOOD SECURITY

- 1.1) Provision of farm machineries in Nyandarua County
- 1.2) Capacity building on water users association on food security



Fishing in Kiangok dam constructed by ENNDA in Samburu County

2. ENVIRONMENTAL CONSERVATION



Farmers extension services along Isiolo river by ENNDA

LOW COST HOUSING

- 2.1) Supported group with bricks making machine to Taibotu Youth group



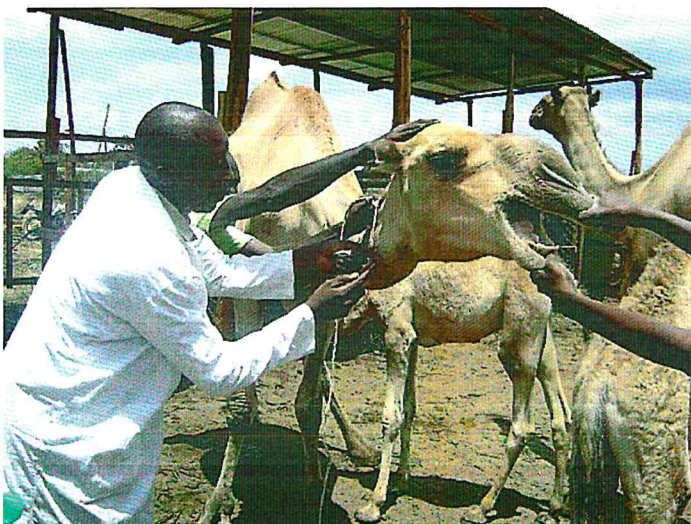
Training of youths in bricks making at Taiboto GarbaTulla, Isiolo County

3. LIVESTOCK

3.1) Camel bull breeding for one year



ENNDA camel male bull at show ground



Livestock extension services by ENNDA

4. YOUTH EMPOWERMENT

4.1) Training of 30 youth and women groups on entrepreneurship skills in collaboration with National Counter Terror Centre (NCTC)

4.2) Empowering women and youth groups on water resource management in Samburu County.



Training women and youth groups in Samburu



Training of women in Isiolo by ENNDA of entrepreneurship skills



ENNDA camel caravan involved in awareness creation on importance of River Ewaso Ng'iro

SUSTAINABILITY STATEMENT

Health and Safety at Work

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

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

IX. REPORT OF THE DIRECTORS

The Director's hereby submit their report with the financial statements for the year ended 30th June 2020

Principal activities

The principal activities of the Authority are:-

(I) Development Planning and Coordination

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

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020

- 6) To maintain a liaison between the government, the private sector and other interested agencies in the matter of the development of the area with a view to limiting the duplication of effort and to ensuring the best use of the available technical resources.

(2) Generation of Strategic Data and Information

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

(3) Monitoring, Evaluation and Implementation of Projects

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

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

Results

The results of the entity for the year ended June 30, 2020 are set out on page two (Balance Sheet page).

Directors

The Board of Directors who held office during the year is shown on pages 4 to 8. In accordance with the ENNDA Act CAP 448, 'the Chairman and members of the Board, other than unofficial members shall hold office for a period of three years from the date of appointment but shall be eligible for re-appointment for one further term of a period not exceeding three years.'

During the year one Board member Ms Ann Kaluki Oketch resigned and a new Managing Director appointed.

Auditors

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

By order of the Board,



Eng. Ali Ibrahim Hassan, PhD

MANAGING DIRECTOR & SECRETARY TO THE BOARD

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020

X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year (period) ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Ewaso Ng'iro North River Basin Development Authority Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2020, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

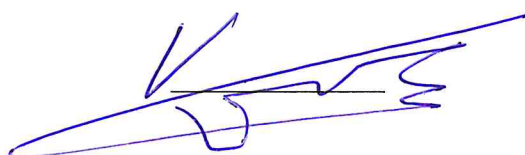
Nothing has come to the attention of the Directors to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Authority's financial statements were approved by the Board on 22nd September 2020 and signed on its behalf by:



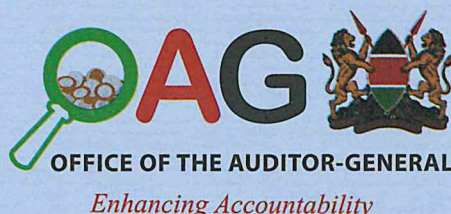
Mohamed Liban
Chairman BOD



Director

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON EWASO NG'IRO NORTH RIVER DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Ewaso Ng'iro North River Development Authority set out on pages 30 to 62, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of cash flows, statement of changes in net assets and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya 2010 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 Ewaso Ng'iro North River Development Authority as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Ewaso Ng'iro North River Development Authority Act, Cap 448 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Inaccuracies of the Financial Statements

1.1 Statement of Changes in Net Assets

The statement of changes in net assets reflects a total balance of Kshs.871,226,065 as at 30 June, 2020 which differs from the re-casted total balance of Kshs.887,986,065 resulting in an unexplained variance of Kshs.16,760,000. Further, as previously reported, the statement reflects a balance of Kshs.1,716,938 in respect to stale cheques. No explanation was provided on why the balance is included in the statement contrary to Paragraph 94(f) of the International Public Sector Accounting Standards (IPSAS) 1 which states that the components of net assets/equity are disaggregated into contributed capital, accumulated surplus and deficits and any reserves.

Under the circumstances, the accuracy of the statement of changes in net assets for the year ended 30 June, 2020 could not be confirmed.

1.2 Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects a variance of Kshs.6,406,820 between the budgeted amount of Kshs.15,000,000 and actual expenditure of Kshs.6,406,820 under Appropriations-In-Aid which differs from the re-casted variance of Kshs.8,593,180. No explanation has been provided for the anomaly.

Under the circumstances, the accuracy of the statement of comparison of budget and actual amounts for the year ended 30 June, 2020 could not be confirmed.

2.0 Property, Plant and Equipment

As disclosed in Note 14 to the financial statements, the statement of financial position reflects a balance of Kshs.237,045,377 under property, plant and equipment as at 30 June, 2020. The following unsatisfactory observations were made:

2.1 Land Without Ownership Documents

As previously reported, excluded from the property, plant and equipment balance of Kshs.237,045,377 are four (4) parcels of land of undetermined value as detailed below.

| Location / Plot Number | Hectares | Town |
|------------------------|----------|----------------|
| ISL/117/01/3A | 1.40 | Isiolo Town |
| ISL/117/2003/2 | 0.35 | Isiolo Town |
| ISL/117/2001/3B | 2.00 | Isiolo Town |
| Swara Area | 4.05 | Ngerimara Town |

The ownership documents for the four (4) parcels of land were not provided for audit verification.

2.2 Vandalized Motor Vehicles

Included in the property, plant and equipment balance of Kshs.237,045,377 are motor vehicles with a net book value of Kshs.15,316,840 as at 30 June, 2020. Available information indicates that two (2) lorries registration No. GK A521R and GK A616R valued at Kshs.700,000 and Kshs.900,000 respectively, were vandalized at the parking yard between April, 2018 and August, 2018. Consequently, two (2) guards were arrested and arraigned in court but the case was withdrawn under unclear circumstances. Further, a report issued by the Ministry of Transport and Infrastructure on 23 August, 2018 indicated that the damage on the two (2) motor vehicles was worth Kshs.1,047,352 and Kshs.865,376 respectively, all totaling to Kshs.1,912,728. However, the amount of Kshs.1,912,728 had not been recovered as at 30 June, 2020 despite the fact that the two (2) guards were reinstated and are still working at the Authority.

Under the circumstance, the fair statement and accuracy of the reported property plant and equipment balance of Kshs.237,045,377 as at 30 June, 2020 could not be confirmed.

3.0 Trade Creditors and Other Payables

The statement of financial position reflects a balance of Kshs.282,776,607 under trade creditors and other payables as at 30 June, 2020. However, as reported in the previous year, creditor's ledgers and registers in support of the balance were not provided for audit review. Further, no explanation was provided for failure to clear the long outstanding debts, some of which related to the financial year 2010/2011 and earlier years.

Under the circumstances, the accuracy and completeness of the trade creditors and other payables balance of Kshs.282,776,607 as at 30 June, 2020 could not be confirmed.

4.0 Administration Expenses

4.1 Unsupported Expenditure- Travelling and Accommodation

The statement of financial performance reflects an expenditure of Kshs.49,169,125 in respect to administration expenses which, as disclosed in Note 4 to the financial statements, includes an amount of Kshs.14,583,320 relating to travelling and accommodation. The latter balance includes an amount of Kshs.281,600 whose supporting documents including invitation letters, work tickets, bus tickets, attendance lists, check-in registers and back to office reports were not provided for audit review.

Under the circumstances, the accuracy and propriety of the expenditure of Kshs.281,600 for the year ended 30 June, 2020 could not be confirmed.

4.2 Unsupported Expenditure- Motor Vehicles Operations

The administration expenses of Kshs.49,169,125 also includes an amount of Kshs.5,032,179 in respect to motor vehicle operations which in turn includes an amount of Kshs.302,607 incurred on maintenance of vehicles. However, supporting documents including requisitions for service, contract agreements, job cards, Local Purchase Orders (LPOs), goods received notes and pre and post inspection reports were not provided for audit review.

Under the circumstances, the accuracy and propriety of the expenditure of Kshs.302,607 for the year ended 30 June, 2020 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Ewaso Ng'iro North River 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 judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

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 on 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

1.0 Irregular Board Meetings Allowances

The statement of financial performance reflects an expenditure of Kshs.18,710,011 in respect of board expenses which includes an amount of Kshs.303,614 paid to a Board Member representing the Inspector-General (Corporations). This was contrary to the Attorney General and the Office of President circulars No.AG/CONF/6/D/73 and No. OP/CAB.9/1A dated 22 August, 2013 and 08 November, 2013 respectively, which indicated that the Inspector-General (Corporations) should not be paid for meetings attended as they are pursuant to his mandate and therefore part of the normal duties of the inspectorate.

Under the circumstances, the regularity and propriety of the expenditure of Kshs.303,614 for the year ended 30 June, 2020 could not be confirmed.

2.0 Development Grant

The statement of financial performance reflects an expenditure of Kshs.188,186,157 in respect to development expenses which, as disclosed in Note 7 to the financial statements, includes an amount of Kshs.144,858,185 in respect of catchment conservation and construction of small integrated water storage and irrigation schemes. The latter balance includes an amount of Kshs.12,933,130 incurred on drilling of boreholes during the year under review. However, physical verification in October, 2020 revealed that a borehole drilled at a total cost of Kshs.6,503,250 was dry and abandoned. Further, another borehole drilled at a cost of Kshs.6,429,880, though complete, contained saline water which was unfit for human consumption hence not used by the residents.

Under the circumstances, the propriety and value for money for the expenditure of Kshs.12,933,130 for the year ended 30 June, 2020 could not be confirmed.

3.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects budgeted revenue and actual on comparable basis of Kshs.1,334,169,364 and Kshs.1,242,488,134 respectively resulting to a budget shortfall of Kshs.91,681,230. Similarly, the Authority spent a total of Kshs.415,538,966 against an approved budget of Kshs.1,252,779,281

resulting to an under-expenditure of Kshs.837,240,315 or 67% of the budget. The underfunding and under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public. Further, the Authority's budget was unbalanced contrary to Regulation 33(c) of the Public Finance Management (National Government) Regulations, 2015 which states that the budget shall be balanced.

Under the circumstances, the Authority was in breach of the regulations.

4.0 Failure to Insure the Fixed Assets

The statement of financial position reflects a balance of Kshs.237,045,377 under property, plant and equipment as at 30 June, 2020. However, the property, plant and equipment balance of Kshs.237,045,377 includes assets worth Kshs.221,529,461 which were not insured. This is contrary to Section 160(1) of the Public Procurement and Asset Disposal Act, 2015 which requires an Accounting Officer of a procuring entity to manage its inventory, assets and stores for the purpose of preventing wastage and loss, and continued utilization of supplies.

Under the circumstances, the Authority's assets are at risk in case of a calamity or damage affecting the fixed assets.

5.0 Irregular Procurement of Rental Offices

The statement of financial performance reflects an expenditure of Kshs.49,169,125 under administration expenses which, as disclosed in Note 4 to the financial statements, includes an amount of Kshs.710,000 in respect of rent and rates. However, as reported in the previous year, the rental offices in Garissa and Marsabit towns were single sourced contrary to requirements of Section 103(2) (a) of the Public Procurement and Assets Disposal Act, 2015 which states that a procuring entity may use direct procurement if it is satisfied that the goods, works or services are available only from a particular supplier or contractor, or a particular supplier or contractor has exclusive rights in respect of the goods, works or services and that no reasonable alternative or substitute exists.

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

6.0 Lack of Regional Balancing in Employment

Review of the personnel records indicated that the Authority had two hundred (200) staff members from different ethnic communities. However, seventy-nine (79) members of staff or 40% were from the dominant community contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which states that no public establishment shall have more than one third of its staff from the same ethnic community.

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

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, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls were not operating in an effective way.

Basis for Conclusion

1.0 ICT Environment

Review of the Authority's ICT environment revealed that there was no formal approved ICT Policy in place as at 30 June, 2020 which includes Data Security Policy and Disaster Recovery Plans. Further, the ICT Department's organization structure was not provided for audit review. Further, the Authority did not have an IT Steering Committee or Strategic Committee for ensuring effective IT controls and strategies.

Under the circumstance, the security and reliability of the Authority's data including its Management Information System could not be ascertained.

2.0 Lack of Risk Management Policy

The Authority did not have a Risk Management Policy. It was, therefore, not possible to ascertain how risks were identified, controlled, monitored and mitigated during the year under review.

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 control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and 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 control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to terminate 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, the 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 manner.

The Board of Directors is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Authority 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 in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that

might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. 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 as a going concern.
- 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 control that are identified during the audit.

I also provide the 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

21 December, 2021

Ewaso Ng'iro North River Development Authority
 Reports and Financial Statements
 For the year ended June 30, 2020

XII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2020

| | Notes | 2019-2020 | 2018-2019 |
|--|-------|----------------------|--------------------|
| | | Kshs | Kshs |
| Revenue from non- exchange transactions | | | |
| Income from the government grant | 1 | 1,279,169,281 | 339,535,887 |
| Total | | 1,279,169,281 | 339,535,887 |
| Revenue from non- exchange transactions | | | |
| Rendering of Services-A in A | 2 | 6,406,821 | 9,845,324 |
| Total | | 6,406,821 | 9,845,324 |
| TOTAL REVENUE | | 1,285,576,102 | 349,381,211 |
| Expenses | | | |
| Staff Costs | 3 | 159,473,673 | 151,379,040 |
| Administration Expenses | 4 | 49,169,125 | 34,010,801 |
| Board Expenses | 5 | 18,710,011 | 16,147,847 |
| Depreciation -Provision for the Year | 6 | 21,243,166 | 24,986,504 |
| Development | 7 | 188,186,157 | 116,227,304 |
| Audit Fees | 8 | 232,000 | 232,000 |
| Total Expenses | | 437,014,132 | 342,983,496 |
| Surplus Before Other Incomes | | 848,561,970 | 6,397,716 |
| Other Gains /(Losses) | | | |
| Gain/Loss on Biological Assets | | (1,362,000) | (280,000) |
| Surplus/Deficit for the year | | 847,199,970 | 6,117,716 |

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020

XIII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

| | Notes | 2019-2020 | 2018-2019 |
|---|-------|----------------------|--------------------|
| | | Kshs | Kshs |
| Assets | | | |
| Current Assets | | | |
| Cash and Cash Equivalent | 9 | 844,636,244 | 56,748,129 |
| Stock /Inventories | 10 | 125,000 | 125,000 |
| Total Current Asset | | 844,761,244 | 56,873,129 |
| Development Government Grant- Received in July 2020 | 13(a) | 82,228,050 | |
| Non -Current Assets | | | |
| Biological Assets | 11 | 6,728,000 | 8,090,000 |
| Property Plant and Equipment | 14 | 237,045,377 | 258,288,544 |
| Total Noncurrent Asset | | 243,773,377 | 266,378,544 |
| Total Assets | | 1,170,762,672 | 323,251,673 |
| Liabilities | | | |
| current Liabilities | | | |
| Trade Creditors and Other Payables | 12 | 282,776,607 | 282,465,509 |
| Bank Overdraft | 13(b) | | 70 |
| Total Liabilities | | 282,776,607 | 282,465,579 |
| Net Assets | | | |
| Accumulates Funds | | 871,226,065 | 24,026,095 |
| Capital Reserves | | 16,760,000 | 16,760,000 |
| Total Accumulated Funds and capital Reserves | | 887,986,065 | 40,786,095 |
| Total Net Assets and Liabilities | | 1,170,762,672 | 323,251,673 |

The Financial Statements were signed on behalf of the Board of Directors by:



Managing Director
Eng. Ali Ibrahim Hassan, PhD

Date: 22nd September 2020



Chief Accountant
Fauzia Hared
ICPAK Member no.

Date: 22nd September 2020



Chairman of the Board
Mohamed Liban

Date: 22nd September 2020

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020

XIV. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020

| | ACCUMULATED | CAPITAL | ENNCRP | TOTAL |
|-------------------------------------|----------------------|-------------------|-------------------|----------------------|
| | SUPLUS | RESERVES | | |
| | Kshs | Kshs | Kshs | Kshs |
| Balance as at 30th June 2013 | (899,218,830) | 16,760,000 | 28,725,000 | (853,733,830) |
| Surplus/(Deficit)for the year | 138,900,768 | | | 138,900,768 |
| Balance as at 30th June 2014 | (760,318,062) | 16,760,000 | 28,725,000 | (714,833,062) |
| Surplus/(Deficit)for the year | 830,653,053 | | | 830,653,053 |
| Balance as at 30th June 2015 | 70,334,991 | 16,760,000 | 28,725,000 | 115,819,991 |
| Surplus/(Deficit)for the Year | (48,551,476) | | | (48,551,476) |
| Stale cheques | 7,850,024 | | | 7,850,024 |
| Balance as at 30th June 2016 | 29,633,539 | 16,760,000 | 28,725,000 | 75,118,539 |
| Surplus/(Deficit)for the Year | (102,215,573) | | | (102,215,573) |
| Balance as at 30th June 2017 | (72,582,034) | 16,760,000 | 28,725,000 | (27,097,034) |
| Surplus/(Deficit)for the Year | 60,048,476 | | | 60,048,476 |
| Balance as at 30th June 2018 | (12,533,558) | 16,760,000 | 28,725,000 | 32,951,442 |
| Balance as at 30th June 2018 | (12,533,559) | 16,760,000 | 28,725,000 | 32,951,441 |
| Surplus/(Deficit)for the Year | 6,117,716 | - | - | 6,117,716 |
| Stale cheques | 1,716,938 | | | 1,716,938 |
| Balance as at 30th June 2019 | (4,698,905) | 16,760,000 | 28,725,000 | 40,786,095 |
| Surplus/(Deficit)for the Year | 847,199,970 | - | - | 847,199,970 |
| Balance as at 30th June 2020 | 842,501,065 | 16,760,000 | 28,725,000 | 871,226,065 |

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020

XV. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2020

| | Notes | 2019-2020 | 2018-2019 |
|--|-------|--------------------|-------------------|
| | | Kshs | Kshs |
| Cashflows from operating activities | | | |
| Receipts | | | |
| Surplus/Deficit during the year | | 847,199,970 | 6,117,716 |
| Add | | | |
| Depreciation | | 21,243,166 | 24,986,504 |
| Less | | | |
| Provision of disposal | | | |
| | | | |
| Working Capital Adjustments | | | |
| Less; (Increase)/Decrease in Biological Asset | | 1,362,000 | 280,000 |
| Less; (Increase)/Decrease in Receivables | | (82,228,050.00) | |
| Less; (Increase)/Decrease in Inventory | | | - |
| Less; (decrease)/Increase in creditors | | 311,099.00 | (768,000) |
| | | | |
| Net cash flows from Operating Activities | | 787,888,186 | 30,616,219 |
| | | | |
| Net cash flows Used in Investing Activities | | | |
| Current Assets | | - | |
| Bank Overdraft | | (70) | (10,379) |
| Sale of Furniture and Fittings | | | 1,868,438 |
| Net Increase/Decrease in Cash and Cash Equivalent | | 787,888,116 | 32,474,278 |
| | | | |
| Cash and Cash Equivalent as at 1st July | | 56,748,129 | 24,273,850 |
| Cash and Cash Equivalent as at 30th June | | 844,636,244 | 56,748,129 |

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020

XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2020

| | Original Budget | Adjustment | Final Budget | Actual on Comparable Basis | Performance difference |
|--|--------------------|--------------------|----------------------|----------------------------|------------------------|
| Income | Kshs | Kshs | Kshs | Kshs | Kshs |
| Recurrent Grant | 231,879,281 | - | 231,879,281 | 231,879,281 | - |
| Development | 336,400,000 | 700,000,000 | 1,036,400,000 | 953,311,950 | 83,088,050 |
| Appropriation in Aid | 15,000,000 | - | 15,000,000 | 6,406,820 | 6,406,820 |
| Balance Carried Forward | 50,890,083 | - | 50,890,083 | 50,890,083 | - |
| TOTAL | 634,169,364 | 700,000,000 | 1,334,169,364 | 1,242,488,134 | 91,681,230 |
| Personal Emolument | | | | | |
| Basic Salaries | 89,758,476 | - | 89,758,476 | 93,419,308 | (3,660,832) |
| House Allowance | 12,592,800 | - | 12,592,800 | 13,400,100 | (807,300) |
| Hardship Allowance | 19,673,400 | - | 19,673,400 | 20,480,900 | (807,500) |
| Commuter Allowance | 9,852,000 | - | 9,852,000 | 9,911,500 | (59,500) |
| Medical Allowance | 8,000,000 | - | 8,000,000 | 5,180,700 | 2,819,300 |
| Other Personal Allowance | 2,758,920 | - | 2,758,920 | 4,575,464 | (1,816,544) |
| Casual Wages | - | - | - | - | - |
| Gratuity and Pension | 9,465,448 | - | 9,465,448 | 12,505,701 | (3,040,253) |
| Board Allowance and expenses | | | | | |
| Board allowances | 11,211,927 | - | 11,211,927 | 17,682,972 | (6,471,045) |
| Chairman Honoraria | 1,020,000 | - | 1,020,000 | 1,027,039 | (7,039) |
| Contracted Services | | | | | |
| Outsourced legal services | 5,300,000 | - | 5,300,000 | 2,544,100 | 2,755,900 |
| Medical Insurance | 27,142,200 | - | 27,142,200 | 14,994,586 | 12,147,614 |
| Assets and Insurances | 3,300,000 | - | 3,300,000 | 2,804,788 | 495,212 |
| Expenses on operations relating to core mandate | | | | | |
| Internet and Postal | 300,000 | - | 300,000 | 700,345 | (400,345) |
| Advertising and publicity | 800,000 | - | 800,000 | 892,264 | (92,264) |
| Administrative expenses | | | | | |
| Motor vehicle operations | 3,890,000 | - | 3,890,000 | 5,032,179 | (1,142,179) |
| Travelling & Accommodation | 6,060,000 | - | 6,060,000 | 14,583,320 | (8,523,320) |
| Office stationeries | 1,000,000 | - | 1,000,000 | 1,766,020 | (766,020) |
| Electricity water conservancy | 415,030 | - | 415,030 | 323,061 | 91,969 |
| Tea and conference | 239,080 | - | 239,080 | 1,438,783 | (1,199,703) |
| Training and seminars | | | | - | |
| Rent and rates | 800,000 | - | 800,000 | 710,000 | 90,000 |

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020

| | | | | | |
|--|--------------------|--------------------|----------------------|--------------------|----------------------|
| Publishing and printing | - | | - | - | - |
| Audit fee | 300,000 | | 300,000 | - | 300,000 |
| Bank charges | 250,000 | - | 250,000 | 264,536 | (14,556) |
| Repairs and Maintenance | | | | | |
| Motor vehicles / machineries | 1,500,000 | - | 1,500,000 | 1,049,840 | 450,160 |
| Computers and other equipments | 450,000 | - | 450,000 | 29,000 | 421,000 |
| Repair others | 300,000 | - | 300,000 | 2,036,283 | (1,736,283) |
| Subtotal (a) | 216,379,281 | - | 216,379,281 | 227,352,809 | (10,973,528) |
| DEVELOPMENT | | | | | - |
| Gum Arabic And Gum Resins Integrated Development | 85,000,000 | - | 85,000,000 | 43,327,972 | 41,672,028 |
| Catchment Conservation and Construction of Small Integrated Water Storage and Irrigation Schemes | 251,400,000 | 700,000,000 | 951,400,000 | 144,858,185 | 806,541,815 |
| Total Development | 336,400,000 | 700,000,000 | 1,036,400,000 | 188,186,157 | 848,213,843 |
| Subtotal (b) | 552,779,281 | 700,000,000 | 1,252,779,281 | 415,538,966 | 837,240,315 |
| Surplus for the year | 81,390,083 | - | 81,390,083 | 826,949,168 | (745,559,085) |

- i. Recurrent Grants: Some of the 2019/2020 grants were received in July 2020/2021.
- ii. Development Grant: The under expenditure was due to late releases of funds by the National Treasury due to the COVID -19 Pandemic.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

The financial statements have been prepared in accordance with the PFM Act 2012, the State Corporations Act 446 and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020.

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

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019.

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

iii. Early adoption of standards

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

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

Transfers from other government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

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

Interest income

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Dividends

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

Rental income

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

b) Budget information

The original budget for FY 2018-2019 was approved by the National Assembly on 2018. 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.

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

c) Taxes

Current income tax

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

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

NOTES TO THE FINANCIAL STATEMENTS (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.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

d) Investment property

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

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

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

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

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

f) Leases

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

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

g) Intangible assets

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

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

i) Research and development costs

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

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

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

h) Financial instruments

Financial assets

Initial recognition and measurement

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Loans and receivables

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

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

i) Inventories

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

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

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

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

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

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

j) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. 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.

n) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

o) Borrowing costs

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

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further, borrowing costs are charged to the statement of financial performance.

p) Related parties

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

q) Service concession arrangements

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

r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements,

cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

s) Comparative figures

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

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

NOTES TO THE FINANCIAL STATEMENTS (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:

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

Provisions

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

u) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | | 2019-2020 | 2018-2019 |
|----------|--|----------------------|--------------------|
| | Details | Kshs | Kshs |
| | Revenue From Non-exchange Transactions | | |
| 1 | Grant From National Government | | |
| | Recurrent Government Grant | 231,879,281 | 207,035,887 |
| | Development Government Grant | 965,061,950 | 132,500,000 |
| | Development Government Grant-Received in July 2020 | 82,228,050 | |
| | Total | 1,279,169,281 | 339,535,887 |
| 2 | Revenue From Exchange Transactions | | |
| | A in A | 6,406,821 | 9,845,324 |
| | Excess income | | |
| | Total | 6,406,821 | 9,845,324 |
| 3 | Staff Cost | | |
| | Basic Salaries | 93,419,308 | 86,383,579 |
| | Hardship Allowance | 20,480,900 | 19,614,150 |
| | House Allowance | 13,400,100 | 12,690,400 |
| | Medical Allowance | 5,180,700 | 7,842,200 |
| | Commuter Allowance | 9,911,500 | 9,475,000 |
| | Other Personal Allowance | 4,575,464 | 3,938,063 |
| | Casual Wages | - | 3,110,898 |
| | Gratuity and Pension | 12,505,701 | 8,324,750 |
| | Total | 159,473,673 | 151,379,040 |
| 4 | Administration Expenses | | |
| | Medical exgratia | | |
| | Medical Insurance | 14,994,586 | 7,300,000 |
| | Travelling and accommodation | 14,583,320 | 11,826,134 |
| | Motor vehicle operations | 5,032,179 | 8,127,517 |
| | Training and seminar | - | 891,990 |
| | Telephone, Internet and postal | 700,345 | 501,356 |
| | Electricity and water conservancy | | |

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020

| | | 2019-2020 | 2018-2019 |
|----------|--|--------------------|--------------------|
| | Details | Kshs | Kshs |
| | | 323,061 | 515,051 |
| | Advertising and publicity | 892,264 | 226,014 |
| | Office stationeries | 1,766,020 | 2,089,684 |
| | Rent and rates | 710,000 | 738,500 |
| | Repair and maintenance | 3,115,123 | 242,970 |
| | Asset Insurance | 2,804,788 | 692,376 |
| | Tea and conferences | 1,438,783 | 159,160 |
| | Outsourced legal services | 2,544,100 | 504,000 |
| | Bank Charges | 264,556 | 196,049 |
| | Total | 49,169,125 | 34,010,801 |
| 5 | Board Expenses | | |
| | Board allowances and expenses | 17,682,972 | 15,347,847 |
| | Chairman Honoraria | 1,027,039 | 800,000 |
| | Total | 18,710,011 | 16,147,847 |
| 6 | Depreciation | | |
| | Building | 3,407,981 | 3,495,365 |
| | Plant and Machinery | 11,341,123 | 12,961,283 |
| | Motor Vehicles | 5,105,613 | 6,925,318 |
| | Computers | 62,085 | 88,692 |
| | Furniture's and Fittings | 1,326,365 | 1,515,845 |
| | TOTAL | 21,243,166 | 24,986,504 |
| 7 | DEVELOPMENT | | |
| | Gum Arabic And Gum Resins Integrated Development | 43,327,972 | 33,037,600 |
| | Catchment Conservation and Construction of Small Integrated Water Storage and Irrigation Schemes | 144,858,185 | 83,189,704 |
| | Total | 188,186,157 | 116,227,304 |
| 8 | Provisions | | |
| | Audit Fees Provision | 232,000 | 232,000 |

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020

| | | 2019-2020 | 2018-2019 |
|----|--|--------------------|-------------------|
| | Details | Kshs | Kshs |
| 9 | Bank Balances | 2019-2020 | 2018-2019 |
| | | Kshs | Kshs |
| | Savings Account-BBK Meru 0133548742 | - | - |
| | ENNDA Current Account - Consolidated Isiolo 10111200000052 | 134,171,221 | 50,890,083 |
| | Kenya Commercial Bank- Garissa office (Saving) 1107430755 | 78,687 | 88,407 |
| | KKV Current Account -BBK Isiolo 0421014515 | - | 463 |
| | ENNDA Enterprise Scheme- KCB 1142316661 | 3,946,132 | 5,768,336 |
| | Regional Account Bank Balances | | |
| | KCB -Garissa Regional Office 1108065856 | - | 340 |
| | BCB- Archers Post 112364859 | - | 500 |
| | KCB- Mandera Regional 11458660818 | - | - |
| | Isiolo Regional 101112000000100 | | |
| | ENNDA Development A/C - Consolidated Isiolo 10111203000200 | 699,998,250 | |
| | ENNDA Retention A/C - Consolidated Isiolo 1011120300201 | 6,441,955 | - |
| | Total | 844,636,244 | 56,748,129 |
| | | | |
| 10 | Inventory | | |
| | Garissa Office- 2500 Bricks | 125,000 | 125,000 |
| | Total | 125,000 | 125,000 |
| 11 | Biological Assets | | |
| | Small bulls | 180,000 | 2,530,000 |
| | Medium Bulls | 325,000 | 1,000,000 |
| | Male steers | 160,000 | 3,600,000 |
| | Mature males | 1,980,000 | 960,000 |
| | Female Calves | 375,000 | |
| | Heifers | 810,000 | |
| | Mature females | 2,880,000 | |
| | Newborn calves | | |

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020

| | | 2019-2020 | 2018-2019 |
|-----------|---------------------------------------|--------------------|--------------------|
| | Details | Kshs | Kshs |
| | | 18,000 | |
| | Total | 6,728,000 | 8,090,000 |
| 12 | Sundry Creditors | 282,465,509 | 283,233,509 |
| | Amount paid | (200,000) | (1,000,000) |
| | Audit Fees | 232,000 | 232,000 |
| | Unpaid Creditors | 279,098 | - |
| | TOTAL | 282,776,607 | 282,465,509 |
| 13 | Bank Overdraft | | |
| | Provisions for development grants (a) | 82,228,050 | |
| | KKV Current Account -BBK Isiolo (b) | | |
| | KCB- Madera Regional | - | (70) |
| | TOTAL | 82,228,050 | (70) |

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| 14. Property, plant and equipment | | | | | | | | | | | | | |
|-------------------------------------|----------------|---------------------|----------------|---------------|---------------------|----------------|--|--|--|--|--|--|-------|
| Non- current assets | Building | Plant and Machinery | Motor vehicles | Computers | Furn, Fittgs& Equip | Total | | | | | | | |
| Cost | Kshs. | Kshs. | Kshs. | Kshs. | Kshs. | Kshs. | | | | | | | Kshs. |
| N.B.V AT 30TH JUNE 2015-GOK | 150,847,703.00 | 154,779,636.00 | 62,901,736.00 | 558,170.00 | 9,427,639.00 | 378,514,884.00 | | | | | | | |
| N.B.V AT 30TH JUNE 2015-ENNNRCP | - | - | 2,281,723.50 | 303,756.60 | 8,674,119.13 | 11,259,599.23 | | | | | | | |
| N.B.V AT 30TH JUNE 2015-TOTAL | 150,847,703.00 | 154,779,636.00 | 65,183,459.50 | 861,926.60 | 18,101,758.13 | 389,774,483.23 | | | | | | | |
| ACC. DEPRECIATION | | | | | | | | | | | | | |
| 1 July 2015 -GOK | 9,108,990.83 | 136,113,610.50 | 199,019,871.00 | 10,240,136.00 | 43,914,894.00 | 398,397,502.33 | | | | | | | |
| Charge for year- GOK | 3,771,192.58 | 19,347,454.50 | 15,725,434.00 | 167,451.00 | 1,178,454.88 | 40,189,986.95 | | | | | | | |
| 30-Jun-16 | 12,880,183.40 | 155,461,065.00 | 214,745,305.00 | 10,407,587.00 | 45,093,348.88 | 438,587,489.28 | | | | | | | |
| ACC. DEPRECIATION | | | | | | | | | | | | | |
| 1 July 2015 -ENNNRCP | - | - | 27,002,703.50 | 3,426,243.40 | 13,080,776.88 | 43,509,723.78 | | | | | | | |
| Charge for year- ENNNRCP | - | - | 570,430.88 | 91,126.98 | 1,084,264.89 | 1,745,822.75 | | | | | | | |
| 30-Jun-16 | - | - | 27,573,134.38 | 3,517,370.38 | 14,165,041.77 | 45,255,546.52 | | | | | | | |
| TOTAL ACC. DEPRECIATION | 12,880,183.40 | 155,461,065.00 | 242,318,439.38 | 13,924,957.38 | 59,258,390.64 | 483,843,035.80 | | | | | | | |
| Total charge for the year-June 2016 | 3,771,192.58 | 19,347,454.50 | 16,295,864.88 | 258,577.98 | 2,262,719.77 | 41,935,809.70 | | | | | | | |
| N.B.V AT 30TH JUNE 2016-GOK | 147,076,510.43 | 135,432,181.50 | 47,176,302.00 | 390,719.00 | 8,249,184.13 | 338,324,897.05 | | | | | | | |

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020

| | | | | | | |
|-------------------------------------|----------------------|-----------------------|-----------------------|----------------------|----------------------|-----------------------|
| N.B.V AT 30TH JUNE 2016-ENNNRCP | - | - | 1,711,292.63 | 212,629.62 | 7,589,854.24 | 9,513,776.48 |
| N.B.V AT 30TH JUNE 2016-TOTAL | 147,076,510.43 | 135,432,181.50 | 48,887,594.63 | 603,348.62 | 15,839,038.36 | 347,838,671.00 |
| ACC. DEPRECIATION | | | | | | |
| 1 July 2016-GOK | 12,880,183.40 | 155,461,065.00 | 214,745,305.00 | 10,407,587.00 | 45,093,348.88 | 438,587,489.28 |
| Charge for year- GOK | 3,676,912.76 | 16,929,022.69 | 11,794,075.50 | 117,215.70 | 1,031,148.02 | 33,548,374.66 |
| 30-Jun-16 | 16,557,096.16 | 172,390,087.69 | 226,539,380.50 | 10,524,802.70 | 46,124,496.89 | 472,135,863.94 |
| ACC. DEPRECIATION | | | | | | |
| 1 July 2016 -ENNNRCP | - | - | 27,430,526.66 | 3,490,032.29 | 14,029,508.65 | 44,950,067.60 |
| Charge for year- ENNNRCP | - | - | 427,823.16 | 63,788.89 | 948,731.78 | 1,440,343.82 |
| 30-Jun-17 | - | - | 27,858,349.81 | 3,553,821.17 | 14,978,240.43 | 46,390,411.42 |
| TOTAL ACC. DEPRECIATION | 16,557,096.16 | 172,390,087.69 | 226,539,380.50 | 10,524,802.70 | 46,124,496.89 | 472,135,863.94 |
| Total charge for the year-June 2017 | 3,676,912.76 | 16,929,022.69 | 12,221,898.66 | 181,004.59 | 1,979,879.80 | 34,988,718.49 |
| N.B.V AT 30TH JUNE 2017-GOK | 143,399,597.66 | 118,503,158.81 | 35,382,226.50 | 273,503.30 | 7,218,036.11 | 304,776,522.39 |
| N.B.V AT 30TH JUNE 2017-ENNNRCP | - | - | 1,283,469.47 | 148,840.73 | 6,641,122.46 | 8,073,432.66 |
| N.B.V AT 30TH JUNE 2017-TOTAL | 143,399,597.66 | 118,503,158.81 | 36,665,695.97 | 422,344.03 | 13,859,158.57 | 312,849,955.05 |
| ACC. DEPRECIATION | | | | | | |
| 1 July 2017-GOK | 16,557,096.16 | 172,390,087.69 | 226,539,380.50 | 10,524,802.70 | 46,124,496.89 | 472,135,863.94 |
| Charge for year- GOK | 3,584,989.94 | 14,812,894.85 | 8,845,556.63 | 82,050.99 | 902,254.51 | 28,227,746.92 |
| 30-Jun-17 | 20,142,086.10 | 187,202,982.54 | 235,384,937.13 | 10,606,853.69 | 47,026,751.40 | 500,363,610.86 |
| ACC. DEPRECIATION | | | | | | |

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020

| | | | | | | |
|---|-----------------------|-----------------------|-----------------------|---------------------|----------------------|-----------------------|
| 1 July 2017 –ENNNRCP | - | - | 27,858,349.81 | 3,553,821.17 | 14,978,240.43 | 46,390,411.42 |
| Charge for year- ENNNRCP | - | - | 320,867.37 | 44,652.22 | 830,140.31 | 1,195,659.89 |
| 30-Jun-17 | - | - | 28,179,217.18 | 3,598,473.39 | 15,808,380.74 | 47,586,071.31 |
| TOTAL ACC. DEPRECIATION | 20,142,086.10 | 187,202,982.54 | 263,564,154.30 | 14,205,327.08 | 62,835,132.15 | 547,949,682.17 |
| Total charge for the year-June 2018 | 3,584,989.94 | 14,812,894.85 | 9,166,423.99 | 126,703.21 | 1,732,394.82 | 29,423,406.82 |
| N.B.V AT 30TH JUNE 2018-GOK | 139,814,607.72 | 103,690,263.96 | 26,536,669.88 | 191,452.31 | 6,315,781.60 | 276,548,775.46 |
| N.B.V AT 30TH JUNE 2018-ENNNRCP | - | - | 962,602.10 | 104,188.51 | 5,810,982.15 | 6,877,772.77 |
| N.B.V AT 30TH JUNE 2018-TOTAL | 139,814,607.72 | 103,690,263.96 | 27,499,271.98 | 295,640.82 | 12,126,763.75 | 283,426,548.23 |
| ACC. DEPRECIATION | | | | | | |
| 1 July 2018 –GOK | 16,143,168.76 | 150,841,326.73 | 169,904,535.38 | 7,367,361.89 | 40,358,934.78 | 384,615,327.53 |
| Charge for year- GOK | | 12,961,283.00 | 6,634,167.47 | 57,435.69 | 789,472.70 | 23,937,724.05 |
| Charge on disposal of motor vehicle | | | 50,500.00 | | | |
| Charge for year- GOK | 3,495,365.19 | 12,961,283.00 | 6,684,667.47 | 57,435.69 | 789,472.70 | 23,988,224.05 |
| ACC. DEPRECIATION | | | | | | |
| 1 July 2018 –ENNNRCP | - | - | 962,602.10 | 104,188.31 | 5,810,981.85 | 6,877,772.27 |
| Charge for year- ENNNRCP | - | - | 240,650.53 | 31,256.55 | 726,372.77 | 998,279.85 |
| Total charge for the year-June 2019 | 3,495,365.19 | 12,961,283.00 | 6,925,317.99 | 88,692.25 | 1,515,845.47 | 24,986,503.90 |
| ACC. DEPRECIATION GOK | | | | | | |
| N.B.V AT 30TH JUNE 2019-GOK | 136,319,242.53 | 90,728,980.97 | 19,902,502.41 | 134,016.62 | 5,526,308.90 | 252,611,051.42 |
| NBV FOR THE DISPOSAL OF MOTOR VEHICLES | | | (202,000) | | | |

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020

| | | | | | | |
|---------------------------------|----------------|----------------|----------------|---------------|---------------|----------------|
| N.B.V AT 30TH JUNE 2019-ENNNRCP | - | - | 721,951.58 | 72,931.76 | 5,084,609.08 | 5,879,492.42 |
| N.B.V AT 30TH JUNE 2019-TOTAL | 136,319,242.53 | 90,728,980.97 | 20,422,453.98 | 206,948.38 | 10,610,917.98 | 258,288,543.83 |
| ACC. DEPRECIATION | | | | | | |
| 1 July 2019-GOK | 136,319,242.53 | 90,728,980.97 | 19,700,502.41 | 134,016.62 | 5,526,308.90 | 252,409,051.42 |
| Charge for year- GOK | 136,319,242.53 | 90,728,980.97 | 19,700,502.41 | 134,016.62 | 5,526,308.90 | 252,409,051.42 |
| ACC. DEPRECIATION | 3,407,981.06 | 11,341,122.62 | 4,925,125.60 | 40,204.99 | 690,788.61 | 20,405,222.88 |
| 1 July 2019 -ENNNRCP | - | - | 721,951.58 | 72,931.76 | 5,084,609.08 | 5,879,492.42 |
| Charge for year- ENNNRCP | - | - | 180,487.89 | 21,879.53 | 635,576.14 | 837,943.56 |
| ACC. DEPRECIATION 2020 | 27,132,816.49 | 213,125,548.53 | 277,595,278.19 | 14,404,591.10 | 66,502,399.22 | 598,760,633.53 |
| N.B.V AT 30TH JUNE 2020-GOK | 132,911,261.47 | 79,387,858.35 | 14,775,376.80 | 93,811.63 | 4,835,520.28 | 232,003,828.53 |
| N.B.V AT 30TH JUNE 2020-ENNNRCP | - | - | 541,463.68 | 51,052.23 | 4,449,032.95 | 5,041,548.86 |
| TOTAL N.B.V AT 30TH JUNE 2020 | 132,911,261.47 | 79,387,858.35 | 15,316,840.49 | 144,863.86 | 9,284,553.23 | 237,045,377.39 |
| TOTAL CHARGE FOR THE YEAR 2020 | 3,407,981.06 | 11,341,122.62 | 5,105,613.50 | 62,084.51 | 1,326,364.75 | 21,243,166.44 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

The Authority has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from financial assets, and is managed on an Authority-wide basis. The Authority does not grade the credit quality of financial assets that are neither past due nor impaired.

Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Authority's management based on prior experience and their assessment of the current economic environment.

(ii) Liquidity risk management

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

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

(iii) Market risk

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (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 Authority's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The Authority's has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

b) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

The Authority's analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

iv. Operational Risk Management

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

The corporation's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the corporation's reputation with overall cost

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. FINANCIAL RISK MANAGEMENT (Continued)

iv. Operational Risk Management (continued)

effectiveness and to avoid any control procedures that restrict initiative and creativity in the corporation.

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

- Requirements for appropriate segregation of duties, including the independent authorisation and approval of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced by the Authority, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and implementation of the proposed remedial solutions and actions;
- Development of contingency plans;
- Training and professional development for its staff;
- Adherence to ethical and business standards; and
- Review of compliance with corporation standards is reviewed on an ongoing basis by senior management and the internal audit department.

iv) Capital Risk Management

The corporation's objectives when managing capital are:

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

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

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Related Party Balances

a) Nature of related party relationships

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

The entity is related to

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

b) Related party transactions

| | 2019-2020 | 2018-2019 |
|--|----------------------|--------------------|
| | KSHS | KSHS |
| Transactions with related parties | | |
| b) Grants from the Government | | |
| Grants from National Govt | 1,196,941,231 | 339,535,887 |
| Receivables from the Ministry-July 2020 | 82,228,050 | |
| c) Expenses incurred on behalf of related party | | |
| Payment of salaries and wages for | 159,473,673 | 151,379,040 |
| d) Key management compensation | | |
| Directors emoluments | 18,710,011 | 16,147,847 |
| Total | 1,457,352,964 | 507,062,774 |

**Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020**

XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

| | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|-----------|--|--|---|---|---|
| 2018-2019 | Statement of Changes in Net Assets | A summary of the stale cheques provided. | Managing Director | Resolved | |
| 2018-2019 | Statement of Cash Flows | Evidence of sale of idle assets was availed. | Managing Director | Resolved | |
| 2018-2019 | Ownership of Property, Plant and Equipment (PPE) | Ownership of the Land | Managing Director | Resolved | 2019-2020 |
| 2018-2019 | Trade Creditors and other payables | 1) The Authority has long outstanding creditors 2) Audit fees | Managing Director | 1. Not Resolved 2. A payment plan made for clearance of the audit fees due. Awaiting disbursement of funds from the National Treasury to clear the pending bills. | Request done to the National Treasury. |
| 2018-2019 | Going Concern | The Authority has long outstanding creditors. | Managing Director | Not resolved, Awaiting release of funds from the government to pay the creditors. | Request done to the National Treasury. Through our |

**Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020**

| | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|-----------|---|---|---|---|---|
| | | | | | Parent ministry |
| 2018-2019 | Budgetary Performance and Control | <ol style="list-style-type: none"> 1. Revenue analysis improved 2. revenue collection 3. Expenditure analysis 3. Unbalance budget | Head of Accounts | <ol style="list-style-type: none"> 1. Most machineries have been repaired improving the revenue collection 2. The exchequer was received late in the year 3. Will ensure the budget is adhered to only if the exchequer is received on time. | End of 2019-2020 |
| 2018-2019 | Failure to Insure the Fixed Assets | The Authority's fixed assets | Managing Director | <ul style="list-style-type: none"> - Awaiting title deeds in order to insure the property - All plant & equipment to be insured | 2019-2020 |
| 2018-2019 | Procurement of Rental Offices in Garissa and Marsabit Towns | Direct procurement | Managing Director | Resolved | |
| 2018-2019 | Non-Compliance with the Gender Principle | Compliance to a third rule | Human Resource Manager | Not Resolved Working on modalities to resolve the matter by considering gender when employment becomes due. (Now that Human Resources Instrument is being implemented). | In the coming years |
| 2018-2019 | Ethnic Balance | Failure to adhere to Ethnicity rule | Human Resource Manager | Not Resolved Since the promulgation of the constitution the Authority is continuing to adhere to the regulation. (Human Resources Instrument is being implemented). | In the coming years |
| 2018-2019 | Adherence to Regulations | Lack of Approved Staff Establishment | Human Resource Manager | The Authority's Human Resources Tools has been approved by all the relevant institutions | End of 2019-2020 |

**Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020**

| Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|-----------------------------------|---------------------|--|--------------------------------------|---|
| | | | Awaiting SRC approval. | |


Managing Director


Chairman of the Board

Date.....15-01-2021

Date.....15-01-2021

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020

XVIII. Appendix 1: PROJECTS IMPLEMENTED BY THE ENTITY

Status of Projects completion

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

| | Project Name | Total project Cost | Total expended to date | Completi on % to date | Budget (Kshs) | Actual (Kshs) | Sources of funds |
|----|--|---------------------------|-------------------------------|------------------------------|----------------------|----------------------|-------------------------|
| 1. | Ewaso Ng'iro North Integrated Catchment Conservation Project | 1,500,000,000 | 396,000,000 | 26% | 336,400,000 | 336,400,000 | Gok |
| 2. | Gums and Resins Development Programme | 400,000,000 | 220,000,000 | 55% | 85,000,000 | 85,000,000 | Gok |
| 3. | Ewaso Ng'iro North Livelihoods Transformation Programme | 18,200,000,000 | 700,000,000 | 4% | 700,000,000 | 700,000,000 | Gok |

Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020

APPENDIX III: INTER-ENTITY TRANSFERS

| | | | | |
|--|--|--|-----------------------|--|
| | ENTITY NAME: | Ewaso Ng'iro North Development Authority | | |
| | Break down of Transfers from the State Department of State department for regional development and northern corridor. | | | |
| | FY 2019/2020 | | | |
| | a. Recurrent Grants | | | |
| | | Bank Statement Date | Amount (Kshs) | Indicate the FY to which the amounts relate |
| | | 28.08.2019 | 12,731,935.50 | 2019-2020 |
| | | 07.10.2019 | 35,469,054.35 | 2019-2020 |
| | | 29.10.2019 | 49,720,787.65 | 2019-2020 |
| | | 03.02.2020 | 49,770,787.65 | 2019-2020 |
| | | 21.05.2020 | 28,062,238.00 | 2019-2020 |
| | | 21.05.2020 | 28,062,238.00 | 2019-2020 |
| | | 28.06.2020 | 28,062,239.85 | 2019-2020 |
| | Total | | 231,879,281.00 | |
| | b. Development Grants | | | |
| | | Bank Statement Date | Amount (Kshs) | Indicate the FY to which the amounts relate |
| | | 15.07.2019 | 11,750,000.00 | 2018-2019 |
| | | 01.11.2019 | 97,857,000.00 | 2019-2020 |
| | | 27.02.2020 | 155,454,950.00 | 2019-2020 |
| | | 11.06.2020 | 700,000,000.00 | 2019-2020 |
| | Total | | 965,061,950.00 | |

**Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020**

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

| Ewaso Ng'iro North Development Authority | Date received | Date Received as per bank statement | Nature: Recurrent/ Development Others | Total Amount – KES | Statement of Financial Performance | Where Recorded/recognized | | | | Total Transfers during the Year |
|--|---------------|-------------------------------------|---------------------------------------|--------------------|------------------------------------|---------------------------|-----------------|-------------|---------------------------|---------------------------------|
| | | | | | | Capital Fund | Deferred Income | Receivables | Others - must be specific | |
| State Department of Northern corridor and Regional Development | 28.8.2019 | 28.8.2019 | Recurrent | 12,731,935.50 | ✓ | | | | | 12,731,935.50 |
| State Department of Northern corridor and Regional Development | 07.10.2019 | 07.10.2019 | Recurrent | 35,469,054.35 | ✓ | | | | | 35,469,054.35 |
| State Department of Northern corridor and Regional Development | 29.10.2019 | 29.10.2019 | Recurrent | 49,720,787.65 | ✓ | | | | | 49,720,787.65 |
| State Department of Northern corridor and Regional Development | 03.02.2020 | 03.02.2020 | Recurrent | 49,770,787.65 | ✓ | | | | | 49,770,787.65 |
| State Department of Northern corridor and Regional Development | 21.05.2020 | 21.05.2020 | Recurrent | 28,062,238.00 | ✓ | | | | | 28,062,238.00 |
| State Department of Northern corridor and Regional Development | 21.05.2020 | 21.05.2020 | Recurrent | 28,062,238.00 | ✓ | | | | | 28,062,238.00 |
| State Department of Northern corridor and Regional Development | | | | | ✓ | | | | | |

**Ewaso Ng'iro North River Development Authority
Reports and Financial Statements
For the year ended June 30, 2020**

| Ewaso Ng'iro North River Development Authority | Date received | Nature: Recurrent/ Development/ Others | Total Amount – KES | Where Recorded/recognized | | | | | Total Transfers during the Year |
|--|---------------|--|----------------------|-------------------------------------|------------------------------------|--------------|-----------------|-------------|---------------------------------|
| | | | | Date Received as per bank statement | Statement of Financial Performance | Capital Fund | Deferred Income | Receivables | |
| | 28.06.2020 | Recurrent | 28,062,239.85 | | | | | | 28,062,239.85 |
| State Department of Northern corridor and Regional Development | 15.07.2019 | Recurrent | 11,750,000.00 | ✓ | | | | | 11,750,000.00 |
| State Department of Northern corridor and Regional Development | 01.11.2019 | Development | 97,857,000.00 | ✓ | | | | | 97,857,000.00 |
| State Department of Northern corridor and Regional Development | 27.02.2020 | Development | 155,454,950.00 | ✓ | | | | | 155,454,950.00 |
| State Department of Northern corridor and Regional Development | 11.06.2020 | Development | 700,000,000.00 | ✓ | | | | | 700,000,000.00 |
| Total | | | 1,196,941,231 | | | | | | 1,196,941,231 |

