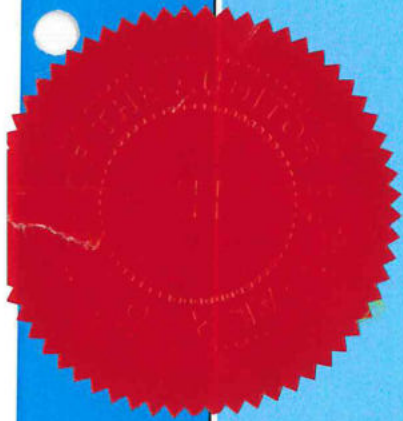


REPUBLIC OF KENYA



Enhancing Accountability



REPORT

DATE: 15 MAR 2023

DAY

TABLED
BY:

Hon. Samuel Chapkong'a, MP
on behalf of Majority Leader

CLERK-AT
THE-TABLE:

Christine Adirika

OF

THE AUDITOR-GENERAL

ON

**KERIO VALLEY DEVELOPMENT
AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE, 2021**



OFFICE OF THE AUDITOR - GENERAL
CENTRAL RIFT REGIONAL OFFICE

04 AUG 2022

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P. O. Box 2774 - 30100, ELDORET



KERIO VALLEY DEVELOPMENT AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING JUNE 30, 2021

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

KERIO VALLEY DEVELOPMENT AUTHORITY

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KERIO VALLEY DEVELOPMENT AUTHORITY

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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

(b) Principal Activities

Vision Statement: A prosperous, Green and Conflict Free Society

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

Core Values:

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

(c) Key Management

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

- Board of Directors
- Managing Director
- Management

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Managing Director	Sammy Naporos
2.	Head of Corporate Services	Carolyne Chemitei
3.	Head of Finance	Joshua Mosoti
4.	Head of Procurement	Antony Lunani
5.	Head of Planning	Christopher Chemwok
6.	Head of Business	Esther Cherutich
7.	Head of Human Resource	Josphat Motende

KERIO VALLEY DEVELOPMENT AUTHORITY

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For the year ended June 30, 2021.

e) Fiduciary Oversight Arrangements

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

KERIO VALLEY DEVELOPMENT AUTHORITY

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For the year ended June 30, 2021.

Committees of the Board

The Board has the following Committees namely:

A) Audit and Risk Management Committee

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

The membership comprised of five members.

The members of this Committee are:

- 1) Dr. Joseph Rotumoi - Chairman
- 2) Mr. Dennis Wabwire - Member
- 3) Mr. Isaac Odek - Member
- 4) Mr. Dudley Matagi - Member
- 5) Mr. Peter Kurui - MIA (Secretary)

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

B). Finance Committee

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

The members of this Committee are:

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

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

KERIO VALLEY DEVELOPMENT AUTHORITY

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For the year ended June 30, 2021.

C). Development and Environment Committee

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

This Committee comprises of six members who meets once in every quarter.

The members of this Committee are:

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

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

D). Human Resources Committee

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

The members of this Committee are:

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

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

KERIO VALLEY DEVELOPMENT AUTHORITY

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For the year ended June 30, 2021.

(f) Entity Headquarters

Physical Address and Contacts

Headquarters

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

(g) Entity Contacts

Tel: 053-2063361/3 Fax 2063364

Email: info@kvda.go.ke

Website: www.kvda.go.ke

(h) Entity Bankers

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

(i) Independent Auditors

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

(j) Principal Legal Adviser




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

KERIO VALLEY DEVELOPMENT AUTHORITY

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For the year ended June 30, 2021.




2. THE BOARD OF DIRECTORS

Ref	Directors	Details
1.	 <p>Hon. Jackson Kiptanui Holds MA (Business Admin), BSc (Mathematics/Statistics) and Diploma in Marketing Management.</p>	<p>Year of Birth: 1972</p> <p>Appointed on 12/07/2018. Holds Masters in Administration, BSc (Maths/Statistics) and Diploma in Marketing Management. He is an independent Director and chairs the Board of Directors.</p>
2.	 <p>Mrs. Dinah Chelanga Vice Chairperson. Holds Higher Diploma in Psych. & Counselling</p>	<p>Year of Birth: 1968</p> <p>Appointed on 20/09/2018. Holds Higher Diploma in Psychology & Counselling. Dinah is an independent Director and Vice Chair of the Board of Directors.</p>
3.	 <p>Mr. Andrew Karumbo Holds BCOM from UoN, CPS(K), CPA(K).</p>	<p>Year of Birth: 1978</p> <p>Appointed on 7/2/2019. Holds Bachelor of Commerce, CPS(K), CPA(K). Andrew is an independent Director and Chair of the Human Resource Committee.</p>

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For the year ended June 30, 2021.

<p>4.</p>	 <p>Mr. Mohammed Jabane Holds MA (International Relations), BA (Political Science) both UoN, and Advanced Public Relations</p>	<p>Year of Birth: 1964</p> <p>Holds Masters in International Relations, Bachelors in Political Science, and Certificate in Strategic Leadership and Advanced Public Relations. Jabane is Altanate Director to Chief of Staff and Head of Public Service</p>
<p>5.</p>	 <p>Mrs. Francisca Ereng Board Member Holds BA (Development Studies), Diploma (Community Development & Social studies)</p>	<p>Year of Birth: 1973</p> <p>Appointed on 7/2/2019. Holds Bachelors in Development Studies, Diploma in Community Development & Social studies). Francisca is an independent Director.</p>
<p>6.</p>	 <p>Dr. Joseph Rotumoi - olds PhD in Educational Comm., Post Graduate Dip in HR; Masters in Education all at Moi</p>	<p>Year of Birth: 1966</p> <p>Appointed 20/02/2018. Holds PhD, Masters in International development, rural economics and extension education; Post Graduate Diploma in HR. Joseph is an Independent Director and Chair of Audit and Risk Committee.</p>

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For the year ended June 30, 2021.

<p>7.</p>	 <p>Ms Grace W. Were Board Member. Holds MA (PPM), BA (CP)</p>	<p>Year of Birth: 1969</p> <p>Appointed 7/2/2019. Holds Masters in Project Planning & Management and Bachelor of Arts. Grace is an Independent Director.</p>
<p>8.</p>	 <p>Mr. Douglas Njeru</p>	<p>Year of Birth: 1967</p> <p>Alt. Director to P.S Min of East African Community and Regional Development Douglas Holds Masters in Strategic Management</p>
<p>9.</p>	 <p>Mrs Susan Chesinya Board Member . Holds BA in Education Psychology and Dip in Education Psychology</p>	<p>Year of Birth: 1967</p> <p>Appointed 7/2/19. Holds BA in Education Psychology and Dip in Education Psychology. She is an independent Director and Chairs the Finance Committee.</p>

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For the year ended June 30, 2021.

10.	 <p>Dennis Wabwire Holds Masters in Law, Bachelors in-law & Diploma - Kenya school of law</p>	<p>Year of Birth: 1981</p> <p>Holds Masters in Law, Bachelors in-law & Diploma - Kenya school of law. .Alternate Director to Attorney General. Senior Counsel</p>
11.	 <p>Mr. Dudley Matagi Holds MBA Finance Option, Bachelor of commerce (Finance option) & diploma in Banking,</p>	<p>Year of Birth: 1976</p> <p>Holds MBA Finance Option, Bachelor of commerce (Finance option) & diploma in Banking, Alt. Director, C.S. The National Treasury.</p>
12.	 <p>Ms Pauline Lenguris Holds BA Development Studies, Diploma- Development Education.</p>	<p>Year of Birth: 1976</p> <p>Appointed 7/2/19.</p> <p>Holds Bachelor of Arts in Development Studies Diploma in Development Education. Pauline is an independent Director.</p>

KERIO VALLEY DEVELOPMENT AUTHORITY




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For the year ended June 30, 2021.

<p>13.</p>	 <p>Hon. Philip Rotino Holds Masters Degree in International Development, Masters Degree Rural Economics and Extension Education</p>	<p>Year of Birth: 1959</p> <p>Appointed on 5th July 2019. Holds Masters Degree in International Development, Masters Degree Rural Economics and Extension Education. He is an independent director.</p>
<p>14.</p>	 <p>Mr. Adan Omar On-going PhD in Leadership and Governance. Holds a MBA (Strategic Mngt) from KU, B.Ed –Kampala Intl Univ; Dip – Kenya Science.</p>	<p>Year of Birth: 1978</p> <p>Appointed 7/2/2019; On-going PhD in Leadership and Governance. Holds a MBA (Strategic Mngt) from KU, B.Ed –Kampala Intl Univ; Dip – Kenya Science. He is an independent director and chairs the Development and Environment committee.</p>

KERIO VALLEY DEVELOPMENT AUTHORITY

**Annual Reports and Financial Statements
For the year ended June 30, 2021.**


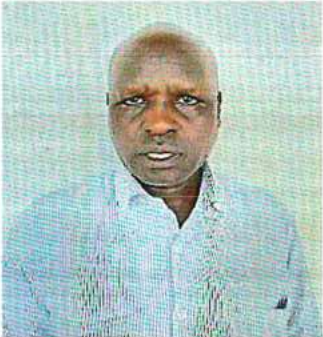

<p>15.</p>	 <p>Hon. Leonard Sang Holds BS in Public Health, Higher Dip Reproductive Health and Health Service Management; Dip in Clinical Medical & Surgery</p>	<p>Year of Birth: 1974</p> <p>Appointed 7/2/19. Holds BSC in Public Health, Higher Dip Reproductive Health and Health Service Management; Dip in Clinical Medical & Surgery He is an independent director.</p>
<p>16.</p>	 <p>Mr. Sammy Naporos PHD Development Studies; Masters (Project Planning Management) and BBA</p>	<p>Year of Birth: 1974</p> <p>PHD (Development Studies); Masters in Project Planning & Management and holds Bachelor of Business Administration. Sammy is the Authority's Managing Director.</p>
<p>17.</p>	 <p>Ms. Gertrude Mabele Bachelor of Laws(LLB), Post Graduate Diploma In Law; Advocate</p>	<p>Year of Birth: 1983</p> <p>Manager Legal services</p>

KERIO VALLEY DEVELOPMENT AUTHORITY

Annual Reports and Financial Statements

For the year ended June 30, 2021.




3. MANAGEMENT TEAM

X	Management	Details
1.	 <p>Mr. Sammy Naporos PHD Development Studies; Masters (Project Planning Management) and BBA</p>	Year of Birth: 1974 Managing Director.
2.	 <p>Mr. David Biwott Holds BSC Animal Production; Diploma in Range Management, Member of Environment Institute of Kenya</p>	Year of Birth: 1961 Manager, Agribusiness
3.	 <p>Mr. Christopher Chemwok Masters in Agricultural Economics & Resource Management; Degree In Resource Agricultural Economics & Resource Management. Agricultural Economics & Resource Management; CPA II; Member of Africa Farm Management</p>	Year of Birth: 1967 Manager, Planning Research & Development

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For the year ended June 30, 2021.

4.	 <p>Ms. Esther Cherutich MBA (Marketing); Bachelors (MBM-Marketing); Diploma in Agriculture & Food Marketing; Member of Marketing Society Of Kenya.</p>	Year of Birth: 1963 Manager, Business Development & Investment Promotion.
5.	 <p>Mr. Joshua Mosoti Holds MBA (Finance) BBM (Accounting) & Member of ICPAK</p>	Year of Birth: 1969 Manager, Finance & Accounts
6.	 <p>Mr. Josphat Motende Holds Masters Degree Business Administration (Human resource), Bachelor of Education, Diploma IN Human Resource, & IHRM member.</p>	Year of Birth: 1974 Manager, Human Resource.

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For the year ended June 30, 2021.

7.	 Mr. Antony Lunani Bachelors in Economics; Diploma in Purchasing & Supplies; Member of KISM.	Year of Birth: 1973 Head of Supplies Chain Management.
8.	 Ms. Gertrude Mabele Bachelor of Laws(LLB), Post Graduate Diploma In Law; Advocate	Year of Birth: 1983 Manager Legal services

KERIO VALLEY DEVELOPMENT AUTHORITY

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For the year ended June 30, 2021.

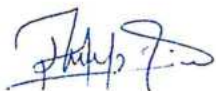
4. CHAIRMAN'S STATEMENT

It is with great pleasure that I present the Kerio Valley Development Authority's Accounts for 2020/2021 financial year. The Authority is a State Corporation under the Ministry of East African Community and Regional Development. Its area of jurisdiction covers the counties of Elgeyo Marakwet, West Pokot, Turkana, Baringo, Samburu and part of Nakuru.

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

- Preparation of the Authority's Strategic Plan 2021-2025 in an effort to transform the region's economy through sustainable exploitation of natural resources in partnership with communities, National and County Governments, Donor and Development Partners. The Plan was guided by the GOK Vision 2030,
- Strategic intervention on food security through expansion of irrigation projects through sustainable methods of irrigation, that is, installation of 250 KW solar system in Napuu and drilling of additional 3 boreholes in Napuu, and use of gravitational force in Lomut.
- Enhance collaboration with the County governments and various institutions like Kenya Seeds Company, Moi Teaching & Referral Hospital and Kenya Power among others.
- Undertook resource mobilization abroad and locally through active engagements with the National Treasury and development partners.
- Engagement with the Ministry in preparation of RDA Amendment Bill.
- Undertook corporate social responsibility in the region through contributions towards community programmes, providing relief food to mudslide victims, actively supporting community irrigation activities in Kamsiwet, Napuu, Weiwei, Loyapat, Chemeron and Chepkum.
- Established assorted fruit and tree nurseries to support the live-hoods of the people within the basin and conservation of the basin.
- Operationalized the Mango factory and increased production of the processed honey.

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



Hon. Jackson Kiptanui
Chairman of the Board

Date: 27/08/2021

KERIO VALLEY DEVELOPMENT AUTHORITY

Annual Reports and Financial Statements

For the year ended June 30, 2021.

5. REPORT OF THE CHIEF EXECUTIVE OFFICER

Managing Director's Report

It is my honour to present the Financial Statement for the year ended 30th June 2021. During the period, there was growth in the Authority's revenue base. Our focus was on building the already laid down foundation for sustainability through expansion of revenue streams, enhancing operational efficiency and restructuring so as to make the Authority self-reliant. This is intended to move the Authority from current dependency on Government financing to a blue chip institution within a five to eight years period.

Overall, the Authority reported a loss of **Kshs 199.9 million**. This is largely attributed to depreciation expense of Turkwel Dam and reduction of development funds. During the financial year, the Authority's AIA was **Kshs 136.6 million**. However, the overall income realized from exchequer and AIA were not adequate to cover the recurrent costs. The management has put in place the following financial measures in order to improve on the overall Authority's performance both in the short and long term: -

Short Term Measures:

- Enhance rental income from KVDA Plaza to a projected level above **Kshs. 120 million** per annum
- Completion and operationalization of 800 acres Wei Wei Phase III Irrigation Scheme in West Pokot County
- Purchasing and refining 150 tons of semi-processed honey and marketing honey products so as to raise **Kshs 80 million** per annum.
- Completion and operationalization of Mango factory in Tot, Elgeyo Marakwet County to produce mango juice ready for the market.

Long Term Measures:

- Upscale mango seed production business through prudent management of existing farms and expansion of irrigable land to achieve at least 3,000 hectares in the next five years.
- Implement development at Turkwel downstream irrigation project to put an additional 30,000 ha of land under irrigation to enhance national food security and peace within the Region.
- The management will continue to expand its revenue base to support operating activities and create sustainability in our area of jurisdiction.

In conclusion, the Management is grateful to our Parent Ministry, Stakeholders, the entire KVDA Board of Directors and Staff for their contributions towards the achievements made during the year.



Sammy Naporos
Managing Director

Date: 27/08/2021

KERIO VALLEY DEVELOPMENT AUTHORITY

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For the year ended June 30, 2021.

6. STATEMENT OF KERIO VALLEY DEVELOPMENT AUTHORITY 'S PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

IRRIGATION PROJECTS

(i) Operationalization of Weiwei Integrated Project (Phase III)

a) Planned activities

In FY 2020/2021, the Authority planned to undertake the following activities to fully operate the 325 hectares of Weiwei phase III for projects sustainability:

- i. Capacity Building; Training and support of farmers.
- ii. Supply of irrigation equipment and machinery for phase iii
- iii. Pilot crop production for phase iii
- iv. Project operationalization (phase iii)
- v. Completion of fencing works
- vi. Environmental conservation
- vii. Repair of intake and pipeline

b) Status of work:

The contract for Capacity building of farmers and Supply of irrigation equipment and machinery for Weiwei phase III commenced 1st September 2020. The contractor has set up an office and demonstration plots, Sensitization of farmers and conservation activities are ongoing. The processing of advance payment to enable the role out of other activities as per terms of reference is also ongoing while the fencing works for the entire irrigation scheme is complete.

(ii) Napuu II Irrigation Project

a) Project Activities

The project is aimed at developing 150 acres of land under centre pivot irrigation in Turkana County for food production. The planned activities for Napuu II in FY 2020/2021 include: -

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

(b) Status of Works

Production of various crops were done during the September-November, 2021 period. No cropping has commenced during the current long rains season due to shortage of funds. The infrastructure works are yet to commence since funds for the project have not been released.

KERIO VALLEY DEVELOPMENT AUTHORITY

Annual Reports and Financial Statements

For the year ended June 30, 2021.

(iii) Lomut Irrigation Project

a) Project Activities

The first phase of Lomut irrigation project was implemented in the last financial year which encompassed; construction of intake weir, sedimentation basin, 5km upvc conveyance pipeline and surge tank.

In this financial year 2020/2021, a 20-acre pilot farm was put under irrigation in Lomut. The planned activities for Lomut Irrigation Project include: -

- i) Construction of irrigation canals
- ii) Land preparation
- iii) Crop production

(b) Current Status of Works

Irrigation canals on 20-acre plot are now in place. In the last season, maize, sorghum, green grams and water melon were planted. The crops have since been harvested and the produce distributed to beneficiary farmers. The Authority provided all necessary inputs and technical advice, while farmers carried out all crop husbandry practices. Crop production activities for this season is ongoing. The third crop harvest has been realized and the community are expanding acreage for more cropping.

OTHER INFRASTRUCTURE PROJECTS

(i) Operationalization of Mango Processing Factory

a) Planned activities

The Authority constructed a Mango Processing Plant/factory at Tot station to process mango into pulp and juice for value addition. The following activities were planned for implementation in the financial year 2020/21;

- i) Purchase of packaging materials, shrink wrapping machine, coding machine and Automatic filler
- ii) Construction of finished goods store
- iii) Procurement of forklift
- iv) Production and marketing
- v) Mango seedlings propagation
- vi) Point of sale system for control of stock, sales and revenue

b) Status of implementation of Activities

Production of mango juice and pulp are ongoing at Tot Mango factory. A forklift has been procured and delivered to site while the procurement process of other equipment has been initiated.

KERIO VALLEY DEVELOPMENT AUTHORITY

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For the year ended June 30, 2021.

Repair of water line for alternative water supply to the factory is complete, renovation of one of the existing buildings for use as ripening shade is also complete.

Other activities were put on hold awaiting release of development funds.

(ii) Turkwel Dam Infrastructure Rehabilitation

In last FY 2019/2020 the following were achieved under Turkwel dam maintenance; replacement of de-watering pumps and 250kv a stand-by generator, construction of two security sentry houses and barriers, replacement of earth cables, repair of the winch, electrical system and lighting system.

a) Planned activities

The following activities were planned for implementation in the financial year 2020/21;

- i) Fencing of the arch dam area or security
- ii) Replacement obsolete dam monitoring instruments
- iii) Establishment of data Centre
- iv) Undertake environmental Audit on Turkwel dam and dam structural integrity assessment.

b) Status of implementation of Activities

Memorandum of Understanding with University of Eldoret on Environmental Audit Study for Turkwel dam was signed on 10th December 2020. University of Eldoret is currently undertaking the Environmental Assessment works.

Other Rehabilitation Works

The rehabilitation works are aimed at maintaining existing infrastructure. The following rehabilitation projects will be undertaken in the FY 2020/21;

(i) Turkwel Guest House

The Authority planned rehabilitation works for Turkwel VIP guest house in FY 2020/21 this is to utilize the guest house structure to full capacity thereby generating more revenue to the Authority.

a) The Planned activities:

- i. Complete roof replacement (New decra roof to be installed).
- ii. Interior works overhaul (Ceiling works, tiling works, electrical fittings, plumbing works, Furniture and fitting).
- iii. External works (drainage works, fencing of the guest house and gate installation, installation of Storage water tank and installation of outdoor gazebos).

KERIO VALLEY DEVELOPMENT AUTHORITY

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For the year ended June 30, 2021.

iv. Equipping of guest house.

b) Status of implementation of Activities

The project works was advertised and tenders evaluated. Construction works are yet to commence subject to availability of funds.

(ii) Nairobi Office

The rehabilitation works for Nairobi office is intended to provide a conducive working environment by reinstating the damaged and dilapidated infrastructure. The works include; Roof repainting, tiling, painting, partitioning and replacement lighting system was contracted at a cost of Ksh 5.9 M.

a) Details of activities:

- i. Interior works overhaul (Ceiling works, Tiling works, electrical fittings, plumbing works, Furniture and fitting).
- ii. External works (drainage works, entry gate replacement, relocation of the Honey shop)

b) Status of implementation of Activities

The interior works are complete while external are ongoing.

(iii) KVDA Plaza

(a) Details of planned activities;

- i) Replacement of broken glasses to improve on building safety.
- ii) Change of lighting system to Led so as to safe on power expenses.
- iii) Generator connection to the lifts so as to improve on mobility when there is no power
- iv) Repair of leaking roof and repainting of common areas so as to improve on building safety.
- v) Rehabilitation of outer pavement to cabro standard so as to improve on building safety.
- vi) Replacement of main entrance doors to improve on security of building.

(b) Status of implementation of Activities

Construction works are yet to commence awaiting release of fund.

(iv) Samburu Office

(a) Details of activities

The construction of Samburu office block was awarded to Katoraz Company Limited at a project cost of Ksh 10,000,000 in January 2021 and the construction began on 20th day of the same month.

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For the year ended June 30, 2021.

The project entails the construction of an office block consisting of the Regional Managers' office, board room, five other offices, kitchen and septic tank.

(b) Status of Construction

So far the foundation, superstructure and roofing work have been done to completion. Electrical and plumbing work is 60% complete.

In overall, the project is 70% complete.

(v) Honey Processing Plant and Automation

(a) Detailed activities:-

In this FY 2020/2021, the Authority planned to automate honey processing plant in Elgeyo Marakwet County by undertaking the following planned activities:

- i. Procuring and installing a honey processing system (unit)
- ii. Testing and commissioning of the system (unit)
- iii. Beehive production and administration
- iv. Purchase of semi-processed honey
- v. Procurement of packaging materials

(b) Status of Implementation of Activities

Production activities are ongoing at project site, currently producing an average of 11.5 tons of honey per month.

The procurement process for equipment was suspended since funds for the project have not being released.

AGRIBUSINESS ACTIVITIES

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

(i) Honey Production

The honey value chain is aimed at improving local honey production. Specific areas include modern beehive and honey production and capacity building of honey producers.

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During the Financial year 2019/2020, the Authority processed 68 tons of honey. In the current 2020/2021 FY, the management commits to process 72 tons of honey no. beehives. The current achievement is at 39.327 tons and 82 beehives.

(ii) Pasture Seed Production

During the FY 2020/21, the Authority will promote livestock farming through the production of animal feeds in ASAL areas by producing 15 tons of Cenchrus Cillaris (African Fox-tail grass) pasture seed from the Authority's 50-acre farm in Chemeron and the neighbouring community farms. Pasture seed production target is 15 tons in 2020/2021 FY.

Status of Activities

Pasture seed production is complete having realized a total of 17.887 kg.

(iii) Modern Beehives Production

During the FY 2019/2020, the Authority produced 700 modern beehives to promote honey production. In the current 2020/21 FY, the Authority commits to produce 800 modern beehives.

The current status of production is at 180 beehives. The low production is attributed to prolonged Government sanction of timber harvesting. Limited supply of timber affected production of beehives.

(iv) Raising of Tree/ Fruit Seedlings for Conservation

During the FY 2020/2021, the Authority commits to raise 750,000 fruit/tree/bamboo seedlings for livelihood improvement and for conservation of Cherangany water tower to conserve water catchment area that forms the headwaters of Kerio Basin.

The seedlings will be raised in the following sites: -

- I. 100,000 seedlings to be raised in Cherangany/Suam site
- ii. 150,000 seedlings to be raised in Tot/Arror/Kimwarer area
- iii. 250,000 seedlings to be raised in Wei Wei area
- iv. 250,000 seedlings to be raised in Kerio Roses.

Status of activities

The realized production; Kerio roses: 20,000 avocado seedlings have been raised, while the remaining 30,000 avocado seeds will be procured and planted before 30th June, 2021. 350,000 assorted tree and 25,000 bamboo seedlings have also been raised.

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Cherangany/Suam site: 51,000 tree seedlings raised in Kipsaos, 40,000 tree seedlings raised in Chepnyal.

Tot/Arror/Kimwarer area: 85,000 mango seedlings raised in Tot, 65,000 mango seedlings raised in Arror and 50,000 raised in Kimwarer.

WeiWei area: 66,000 assorted fruit tree seedlings and 4,000 tree seedlings raised.

(v) Development of Livestock Breed (Chesongoch, Namotio and Chemeron Farms)

The Authority plans to continue with the program of raising of Sahiwal Breeding stock in Namotio and Chemeron farms and the Galla goats multiplication in Chesongoch farm for livestock improvement in the region. The activities planned for are aimed at maintaining and increasing the stocking levels and to construct and rehabilitate critical farm structures in the stations.

The specific activities for this FY are;

- i) Repair of spray race and loading ramp at Chemeron
- ii) Purchase of hay mower and rake
- iii) Hay production
- iv) Construction of Namotio cattle shade
- v) Administration activities

Status of implementation of Activities

Chemeron: Repair of the spray race and loading rump; purchase of hay mower and rake have not been achieved due to funding challenges. Design of Namotio cattle shed has been approved by public works, infrastructural works are yet to commence awaiting release of funds.

(vi) Crop Production

The Authority plan to undertake capacity building and technology transfer in crop production for the purpose food security and income generation in its various farms. Specific farms include Napuu, Weiwei, Chepkum and Kamsiwet.

Status of implementation of Activities

Weiwei: Seed maize crop (H517) contracted with Kenya Seed Co. has been planted is at knee-high stage.

Lomut: Beneficiary farmers have planted an assortment of crops including green grams, maize, and sorghum. The crops are at various stages of growth.

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Chepkum: plots (modules) of 1.25 acres each are currently being demarcated and eventually allocated to individual households for crop production.

Kamsiwet: Land preparation is almost complete after which farmers will plant and manage sorghum in the entire 100 acres.

Napuu II: Apart from the short rains season crop, no other cropping activities currently.

OVERALL CHALLENGES

- i) Limited funding on projects and programs
- ii) Delay in releases of funds by the exchequer affecting project implementation
- iii) Covid-19 pandemic has slowed progression of work in our projects, employees are working in shifts.
- iv) Floods that damaged infrastructure due to the excess rainfall in various areas within the region.
- v) Infestation by desert locust that affected crop production in Napuu II.

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Strategic Pillar/Theme/Issues	Strategic Objective	Key Performance Indicators	Activities	Achievements
Environmental conservation	Promotion of Sustainable Environment Protection and Natural Resource Management	-No. Of trees seedlings raised -No. Of tree seedlings planted -Acreage of catchment conserved	Raise and plant 1 million seedlings	The Authority raised 1 million assorted fruit and tree seedlings in the year 2020/21 and these have been used for catchment conservation for Cherangany watershed.
Economic Pillar	Spurring Economic Development	-No. of revenue streams established -Amount of Revenue realized from income streams	-Production and processing of beehives and honey. -Follow up with tenants to pay outstanding rental income	Beehive and Honey Production -Revenue from sale of honey and beehives has increased from Kshs. 17.4 million in 2015/2016 to Kshs. 61.2 million in 2020/2021. Rental income -Rental income increased from Kshs. 67.4 million in 2015/2016 to Kshs.94.1 million in 2020/2021. The rental income is expected to increase to Kshs. 120 million annually once all the offices are fully occupied.
Regional Planning	Strengthening Regional Planning, Resource Mobilization and Capacity Building	-Report on regional planning -Amount of resources mobilized for projects. -No. of farmers trained	-Prepare 4No. project concepts for resource mobilization -Participate in 2No. Investment conferences -Training of farmers	Land under irrigation as follows: - -Napuu Centre Pivot Irrigation scheme (150 acres), -Chepkum/Kamsiwet (300 acres), -Lomut (250 acres), -Ptokou Sangat (800 acres), -Marich scheme (250 acres), - Lower Sangat (250 acres) and -WeiWei Phase III (1,500 acres). These projects are being jointly implemented with the community and are geared towards increasing food production and contributing to the food security pillar of the “Big Four” agenda.

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7. CORPORATE GOVERNANCE STATEMENT

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

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

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

8. MANAGEMENT DISCUSSION AND ANALYSIS

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

No	Project Name	County	Project Objective	Project Output
1	Wei Wei Phase 3 Integrated Project	West Pokot	<ul style="list-style-type: none">Develop irrigation infrastructure on 325 ha for food securityBuilding capacity of 1000 farmers annuallyMaintain irrigation	<ul style="list-style-type: none">325 ha of land developed under irrigation1000 farmers trainedIrrigation system maintainedKorrelach catchment area conserved

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			infrastructure for Phase 1&2.	
2	Napuu Centre Pivot Project	Turkana	Establish 2 centre pivot systems to irrigate 150 acres for good security	<ul style="list-style-type: none"> • 2No. Centre pivot irrigation system established • 45 acres put under irrigation and 30 tons of crop produced
3	Lomut Irrigation Project	West Pokot	Develop 200 acres for crop production	5Km water supply system developed
4	Mango Factory	Elgeiyo Marakwet	Operationalise Mango factory by processing 1.54 million litres of mango juice	14 tons of mango puree processed
5	Pasture seed Development	Baringo	Production of pasture seed	20 bales of pasture seed produced
6	Honey Value Chain	Elgeiyo Marakwet, Baringo & West Pokot	Processing of 100 tons of honey	72 tons of honey processed
7	Livestock Development	Baringo & Samburu	Raising of livestock breed	<ul style="list-style-type: none"> • 71 Sahiwal bulls raised • 63 galla goats raised
8	Cherangany Water Shed Conservation	All counties under KVDA	Cherangany conserved	1 million tree seedlings raised and planted for conservation of Cherangany

During the year under review, implementation of Napuu Centre Pivot project was progressed. Area residents have already reaped the benefits from the project. The Authority is implementing Wei Wei Phase III project through a soft loan from the Italian government. The components of the project included consultancy services, civil works, capacity building (supply of farm machinery and operationalization of the farm). The consultancy services and civil works components (80% of the project) are completed while the capacity building and supply of irrigation equipment are still pending due to delay which was occasioned by administrative procedures relating to the procurement by the financier. The benefits from this project are expected to benefit the local community as the project attains full implementation.

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

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Other projects completed during the period under review include branding of KVDA Southern Wing, Construction of National water harvesting dams and Samburu livestock project. These projects will greatly contribute to food security; improve co-existence among communities with respect to natural resource use, and improvement of the community livelihoods.

The major challenges faced by the Authority included under-funding by the National Treasury through budget adjustment which reduced development funding from time to time. The total development budget from exchequer was Kshs 57 million.

The Authority complied in paying all its statutory requirements. However, there has also been reduction in recurrent funds which has negatively impacted on the Authority's financial ability to adequately remunerate her employees as well as undertaking its recurrent operations.

Regarding donor funded projects, the Authority was unable to absorb weiwei phase III donor funds amounting to kshs 126 million due to challenges in tax compliance.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

(i) Sustainability strategy and profile

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

(ii) Environmental Performance

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

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

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Conservation of key water catchment areas.

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

Support effective implementation of Forests policies and legislations.

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

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

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

Fresh water and Wetland Ecosystem.

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

Conservation of Mountain Ecosystems.

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

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Promote integrated natural resource management in ASALs.

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

Land Resource Management.

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

Soil conservation.

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

Wildlife Resources

KVDA will:

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

Promotion of sustainable management and utilization of fishery resources

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

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Climate change adaptation

The Authority shall:

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

Partnerships and Stakeholder Involvement

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

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

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

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

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

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

This will be achieved through frequent maintenance of vehicles and machinery. For instance, changing engine oil from time to time. Machinery during construction works, e.g. dam construction should be operated during the day so that noise and excessive vibration does not cause nuisance to the public. Trees will be planted in order to absorb noise and carbon dioxide generated in a site where processing activities takes place.

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

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

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

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

Adopting a pollution prevention approach to our activities.

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

Communicating environmental performance through regular reporting.

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

Striving for continual improvement in environmental performance.

The Authority will achieve this by investing in Income Generating Projects that are environmentally friendly. Production of assorted tree/fruit seedlings will be promoted so as to plant more trees in many

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of degraded areas especially in Cherang'any water catchment. Sensitization of community groups on environmental conservation through tree planting will be done to accomplish this goal. New technologies will be adopted provided it influences positive environmental change. Partnerships with other stakeholders will be embraced in so far as development and environmental conservation is concerned.

Domesticating the Environmental Policy at the workplace

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

(vi) Corporate Social Responsibility / Community Engagements

Our commitment to our stakeholders and in improving the quality of life of communities living in our area of jurisdiction is central to our corporate identity. During the year under review, the Authority supported Mud slide victims in Elgeyo Marakwet, West Pokot through provision of relief food. With the out-break of Covid 19 pandemic the authority with collaboration with Development partners provided face masks, hand washing booths and sanitizers to the counties within the Kerio basin. The Authority also participated in peace building initiatives, supported expansion of educational institutions and offered internship and attachments to young scholars. However much could be done with other well-wishers.

10. REPORT OF THE DIRECTORS

The Board of Directors submit their report together with Financial Statements for the year ended 30th June, 2021 showing the state of KVDA's affairs.

(i) Principal activities:

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

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(ii) Results

The results of the entity for the year ended 30th June, 2021 are set out on pages 1 to 42

(iii) Directors:

The members of the Board of Directors who served during the year are shown on page vii - xii. During the year ended 30th June 2021, no director retired.

i) Surplus remission

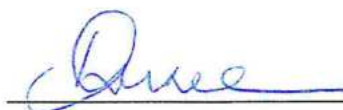
The Authority did not make any surplus during the year (FY 2020/2021) and hence no remittance to the Consolidated Fund.

ii) Auditors

The Auditor General is responsible for the statutory audit of the KVDA in accordance with the Public Finance Management (PFM) Act, 2012

By Order of the Board

Gertrude Mabele (Ms)
Secretary to the Board



Signature

27/08/2021

Date

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11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

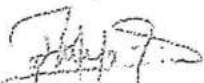
The Directors are responsible for the preparation and presentation of KVDA's Financial Statements, which give a true and fair view of the state of affairs of KVDA for and as at the end of the financial year (period) ended on June 30th 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the KVDA (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for KVDA's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that KVDA's financial statements give a true and fair view of the state of KVDA's transactions during the financial year ended June 30th 2021, and of KVDA's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for KVDA, which have been relied upon in the preparation of KVDA's Financial Statements as well as the adequacy of the Internal Control systems.

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

Approval of the Financial Statements

The KVDA's financial statements were approved by the Board on 27th August, 2021 and signed on its behalf by:



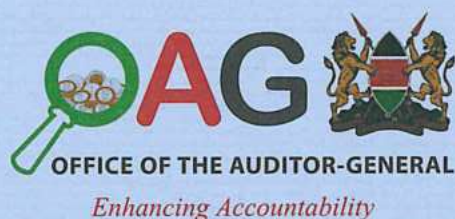
Hon. Jackson Kiptanui
Chairman of the Board



Sammy Naporos
Managing Director

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REPORT OF THE AUDITOR-GENERAL ON KERIO VALLEY DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kerio Valley Development Authority set out on pages 1 to 50, which comprise the statement of financial position as at 30 June, 2021, the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting

policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kerio Valley Development Authority as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kerio Valley Development Authority Act, Cap 441 of 1979 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Lack of Revaluation of Property, Plant and Equipment

The statement of financial position reflects non-current assets balance of Kshs.5,421,528,400. However, the Authority's assets have not been revalued over time. This is contrary to Paragraph 44 of International Public Sector Accounting Standards (IPSAS 17) on property, plant and equipment which provides that the frequency of revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Further, the Authority did not maintain an updated asset register.

In the circumstances, the property, plant and equipment balance of Kshs.5,421,528,400 as at 30 June, 2021 is not fairly stated.

2.0 Trade and Other Payables from Exchange Transactions

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.101,826,645 as at 30 June, 2021. Included in this balance are creditors (recurrent account) amount of Kshs.69,308,571 which have been outstanding for over 120 days. Management did not provide a settlement plan for the long outstanding payables.

In the circumstances, the accuracy and completeness of trade and other payables from exchange transactions balance of Kshs.101,826,645 as at 30 June, 2021 could not be confirmed.

3.0 Long Outstanding Receivables - Staff Advances

The statement of financial position reflects receivables balance of Kshs.39,237,473, which includes staff salary advances balance of Kshs.2,206,070 as disclosed in Note 19(a) to the financial statements. However, the advances have been outstanding since 1998 and most of the staff members are no longer in service. Management has not provided measures put in place to recover the funds from respective staff members and has not made provision for doubtful debts.

In the circumstances, the accuracy and valuation of receivables balance of Kshs.39,237,473 as at 30 June, 2021 is in doubt.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kerio Valley Development Authority

Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Matter

1.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.388,809,500 and Kshs.294,105,409 respectively resulting to an under-realisation of Kshs.94,704,091 or 24% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.544,609,529 and Kshs.551,426,944 respectively resulting to an over expenditure of Kshs.6,817,415 or 1% of the budget.

The under-funding affected the planned activities and impacted negatively on service delivery to the public.

2.0 Unresolved Prior Year Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Advance Payments on Arror and Kimwarer Multi-Purpose Projects

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

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

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

2.0 Failure to Allocate Adequate Resources for Development Expenditure

During the year under review, the Authority budgeted an amount of Kshs.57,338,500 for development expenditure which was approximately 19% of the total budget of Kshs.294,105,409. This was contrary to Regulation 26(1)(f) of the Public Finance Management (National Government) Regulations, 2015 which stipulates that pursuant to Section 15(5) of the Act, the National Government expenditure on development shall be at least thirty percent of the total budget.

Consequently, Management was in breach of law.

3.0 Non-Compliance with Law on Appointment of Members of the Board of Directors

During the year under audit, and as previously reported, the Authority's Board of Directors was composed of sixteen (16) Members which was above the number prescribed under the Kerio Valley Development Act, 1979 which provides for twelve (12) Board Members. Further, this was also above the provisions of the Code of Governance for State Corporations (Mwongozo), 2015 whose aim was to streamline governance structures and curtail excessive costs of running state corporations' boards and specifically requiring a maximum of 9 members per state corporation.

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

4.0 Non-Compliance with Law on Compensation of Employees

The Authority incurred expenditure amounting to Kshs.147,312,791 on personnel emoluments during the year under review against a total budgeted receipts of Kshs.388,809,500 or approximately 38% of the total budgeted receipts. This was contrary to Section 26 (1)(a) and (b) of the Public Finance Management (National Government) Regulations, 2015 which stipulates that National Government's expenditure on the compensation of employees (including benefits and allowances) shall not exceed 35 percent of the of the revenue raised

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

5.0 Non-Compliance with Law on Ethnic Composition

Review of the human resource data revealed the Authority had a staff establishment of one hundred and sixty-five (165) employees out of whom one hundred and ten (110) or 67% employees were from the dominant community. This was contrary to Section

7 of the National Cohesion and Integration Act, 2008 which provides that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of staff from the same ethnic community. Management has not demonstrated measures taken to comply with the provision.

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

6.0 Implementation of the Napuu Irrigation Project

Included in the operation expenses balance of Kshs.115,273,261 in the statement of financial performance is an amount of Kshs.102,359,938 in respect to grant expenses out of which an amount of Kshs.11,829,418 was paid out to the Napuu Irrigation Project for general expenses, borehole drilling, installation of a 250kw solar grid, phase 3 connection to the far, office rent, planting and farm works.

However, physical inspection of the farm conducted in the month of November, 2021 established that the farm lay bare and fallow with minimal agricultural activities. Interviews with the Farm Management revealed that the last harvesting was done in December, 2020 where only watermelon and green grams were harvested in a fifty-acre farm out the 150 acres. Further, the records of the produce could not be verified physically in the store. It was also established that no major agricultural activities had taken place since January, 2021.

In the circumstance, value for money has not been realised in the establishment of the project whose objective was food security for the local community.

7.0 Non-Compliance with Presidential Directive on Implementation of E-Procurement

The Authority had not implemented the e-procurement system in conducting the procurement proceedings as required by the Executive Order No. 6 of 2015-part (iv) states that all state corporations to immediately arrange to migrate their procurements systems to e-procurement platform developed by The National Treasury.

In the circumstances, Management 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, based on the audit procedures performed, 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, risk management and overall governance were not effective.

Basis for Conclusion

1.0 Lack of Capacity in the Internal Audit Function

During the year under review, the Authority had an internal audit function in place with a total staff of two (2) officers against an approved staff establishment of seven (7) officers. The audit unit may not offer effective oversight role to the Authority due to the understaffing.

In the circumstances, the existence of an effective internal control mechanism could not be confirmed.

2.0 Lack of an Inventory Management Policy

The statement of financial position reflects inventory balance of Kshs.41,381,389 as at 30 June, 2021 comprising of processed honey, crude and semi processed honey, building and plumbing, spare parts, bee hives & honey equipment, tools and equipment, farm inputs, stationery, agro-vet (livestock), farm products and general stores. However, the Authority did not have an Inventory Management Policy to provide formal guidance on the management of inventory.

In the circumstances, the existence of an effective mechanism to safeguard public assets could not be established.

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

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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 overall governance.

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the

activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal 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 noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


 CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

02 September, 2022

KERIO VALLEY DEVELOPMENT AUTHORITY

Annual Reports and Financial Statements

For the year ended June 30, 2021.

13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

Description	Notes	2020-2021 Kshs	2019-2020 Kshs
Revenue from non-exchange transactions			
Government grants-Unconditional	6	157,518,500	303,503,184
Conditional Receipts (VER)	7	33,086,696	182,860
Gain on disposal of Assets	8	-	3,853,778
Gain on Biological Assets	9	1,720,455	-
Conditional Receipts (ESP & Water Harvesting)	10	891,557	7,659,791
		193,217,208	315,199,613
Revenue from exchange transactions			
Appropriation In Aid	11	136,586,909	171,134,568
Total revenue		329,804,117	486,334,181
Expenditure			
Conditional Grants payments			
Conditional grant Expense (VER)	7	33,086,696	182,860
Conditional Expenses (ESP & Water Harvesting)	10	891,557	7,659,791
Personal Emoluments-Employee costs	12	147,312,791	106,702,741
Administration	13	72,976,843	112,310,430
Operation expenses	14	115,273,261	195,870,797
Remuneration of Directors expenses	15	20,748,642	29,728,071
Kra Fines & Penalties	16	27,461,244	-
Depreciation and amortization expense	17	112,012,594	113,621,172
Total expenses		529,763,628	566,075,862
Surplus before tax		(199,959,511)	(79,741,681)
Taxation			
Deficit for the year		(199,959,511)	(79,741,681)

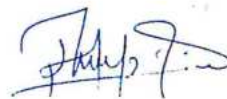
The notes set out on pages 26 to 42 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:



Sammy Naparos
Managing Director
Date: 27/08/2021



Head of finance Joshua Mosoti
ICPAK 18829
Date: 27/08/2021



Hon Jackson Kiptanui
Chairman of the Board
Date: 27/08/2021

KERIO VALLEY DEVELOPMENT AUTHORITY

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For the year ended June 30, 2021.

14. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2021

Assets	Notes	2020-2021 Kshs	2019-2020 Kshs
Current assets			
Cash & Cash Equivalent	18	626,050,874	750,507,440
Receivables	19	39,237,473	52,344,176
Inventories	20	41,381,389	19,429,004
Advance payments multi-purpose Projects	21	7,778,151,688	7,778,151,688
Sub-Total Current Assets		8,484,821,424	8,600,432,308
Non-current assets			
Property, plant and equipment	17	4,322,127,616	4,401,695,108
Investment property	17	1,085,721,779	1,092,856,181
Biological Assets	9	13,679,005	13,540,570
Sub-Total Non-Current Assets		5,421,528,400	5,508,091,859
Total assets		13,906,349,824	14,108,524,167
Liabilities			
Current liabilities			
Ministry of Devolution - (VER Funds)	7	2,425,168	35,511,864
Restricted Liability - Arroy Trade and other payables from exchange transactions	22	605,946,457	605,946,457
Restricted Funds Liability (ESP & Water Harvesting))	23	101,826,645	37,394,646
Auditor General	10	6,412	897,969
Prepaid income	24	2,436,000	1,624,000
		1,683,547	1,854,975
Sub- Total Current liabilities		714,324,229	683,229,911
Non-Current Liabilities	25	292,279,531	325,588,680
Total Liabilities		1,006,603,760	1,008,818,591
Total Net Assets		12,899,746,064	13,099,705,575
Capital Reserves		7,696,199,073	7,696,199,073
Revenue Reserves		5,203,546,991	5,403,506,502
Total net assets and liabilities		12,899,746,064	13,099,705,575

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



Sammy Naparos
Managing Director
Date: 27/08/2021



Head of finance Joshua
Mosoti ICPAK 18829
Date: 27/08/2021



Hon Jackson
Kiptanui Chairman
of the Board
Date: 27/08/2021

KERIO VALLEY DEVELOPMENT AUTHORITY

Annual Reports and Financial Statements

For the year ended June 30, 2021.

15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2021

	Capital reserves	Revenue	Totals
	Kshs	reserve	Kshs
Balance as at 30 June 2019	7,696,199,073	5,482,686,017	13,178,885,090
Balance as at 1st July 2019	7,696,199,073	5,482,686,017	13,178,885,090
Prior year adjustment - Provision for doubtful debts (Note 16a and in the Statement Of Financial Performance)	-	562,166	562,166
Surplus/(deficit) for the period		(79,741,681)	(79,741,681)
Balance as at 30th June 2020	7,696,199,073	5,403,506,502	13,099,705,575
balance as at 1st july 2020	7,696,199,073	5,403,506,502	13,099,705,575
Surplus/(deficit) for the period	-	(199,959,511)	(199,959,511)
Balance as at 30th June 2021	7,696,199,073	5,203,546,991	12,899,746,064

KERIO VALLEY DEVELOPMENT AUTHORITY

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For the year ended June 30, 2021.

16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2021

		2020-2021	2019-2020
Cash Flows from Operating Activities			
Receipts			
Government Grants & Subsidies	6	157,518,500	303,503,184
Disposal of Assets	8	-	3,852,778
Sale of Goods	11(a&c)	99,457,548	123,917,685
Other Income, rentals	11(b)	37,129,361	15,569,777
Total Receipts		294,105,409	446,843,424
Payments/Cash outflows			
Conditional Funds - VER	7	(33,086,696)	(182,860)
Conditional Funds - ESP & Water Harvesting	10	(891,557)	-
Compensation of Employees	12	(147,312,791)	(106,363,742)
Administration Expenses	13	(72,976,843)	(95,515,259)
Operation Expenses	14	(78,980,807)	(207,559,769)
Remuneration of Directors	15	(20,748,642)	(30,384,725)
Kra Fines & Penalties	16	(16,019,059)	-
Total payments		(370,016,395)	(440,006,355)
Net cash generated from operating activities		(75,910,986)	6,837,069
Cash flows from Investing Activities			
Retention		10,074,269	16,183,181
Purchase of Property, Plant and Equipment	17	(25,310,700)	(66,190,109)
Sub-total		(15,236,431)	(50,006,928)
Net Cash flow after Investing Activities		(91,147,417)	(43,169,859)
Cash flows from financing activities			
Borrowing			
Principal Loan repayment	25	(33,309,149)	(27,582,316)
Net cash flow from financing activities		(33,309,149)	(27,582,316)
Net decrease in cash and cash equivalents		(124,456,566)	(70,752,175)
Cash & cash equivalent at the beginning of the period		750,507,440	821,259,615
Net Cash & Cash Equivalents - End	18	626,050,874	750,507,440

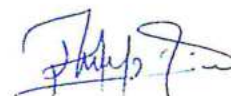
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Sammy Naparos
Managing Director
Date: 27/08/2021



Head of finance: Joshua Mosoti
ICPAK 18829
Date: 27/08/2021



Hon Jackson Kiptanui
Chairman of the
Board
Date: 27/08/2021

KERIO VALLEY DEVELOPMENT AUTHORITY

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17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2021

Description	Notes	ORIGINAL BUDGET 2020-2021	ADJUSTMENTS 2020-2021	FINAL BUDGET 2020-2021	ACTUAL ON COMPARABLE BASIS 2020-2021	PERFORMANCE DIFFERENCE 2020-2021	% of Utilisation
Recurrent	6	100,180,000.00	-	100,180,000.00	100,180,000.00	-	100%
Appropriation In Aid	11	231,291,000.00	-	231,291,000.00	136,586,909.00	94,704,091.00	59%
Development	6	114,677,000.00	(57,338,500.00)	57,338,500.00	57,338,500.00	-	100%
TOTAL INCOME		446,148,000.00	(57,338,500.00)	388,809,500.00	294,105,409.00	94,704,091.00	76%
EXPENSES							
Personnel Emoluments	12	140,005,000.00	8,686,588.00	148,691,588.00	147,312,791.00	1,378,797.00	99%
Remuneration Of Directors	15	24,960,000.00	(1,072,188.00)	23,887,812.00	20,748,642.00	3,139,170.00	87%
Administration Expenses	13	101,300,000.00	(4,683,238.00)	96,616,762.00	72,976,843.00	23,639,919.00	76%
Napuu/ Lomut/Lower Turkwel Irrigation Project P&L	14(b)	32,507,000.00	10,603,400.00	43,110,400.00	33,032,000.00	4,990,460.00	88%
Napuu/ Lomut/Lower Turkwel Irrigation ProjectB/S	17				5,087,940.00		
Weiwei Integrated Development Project Phase III	14(b)	32,507,000.00	6,774,613.00	39,281,613.00	33,105,172.00	6,176,441.00	84%
Chepkum Irrigation Project	14(b)	-	11,000,000.00	11,000,000.00	14,036,014.00	(3,036,014.00)	128%
Mango Value Chain p&L	14(b)	49,663,000.00	(22,831,500.00)	26,831,500.00	22,750,752.00	920,748.00	97%
Mango Value Chain B/S	17				3,160,000.00		
Honey and Bee Hive Development P&L	14(a)	55,000,000.00	(28,379,718.00)	26,620,282.00	4,626,182.00	21,994,100.00	17%
Honey and Bee Hive Development B/S	17				27,500.00		
Livestock and Pasture Seed Development	14(a)	15,000,000.00	(2,927,125.00)	12,072,875.00	2,117,371.00	9,955,504.00	18%
Purchase of ERP Systems P&L	14(a)	12,500,000.00	(9,572,875.00)	2,927,125.00	2,337,125.00	-	100%
Purchase of ERP Systems B/S	17				590,000.00		
Samburu P&L	14(a)	11,000,000.00	-	11,000,000.00	1,006,344.00	6,535,041.00	41%
Samburu B/S	17				3,458,615.00		
Property Refurbishment p&L	14(a)	33,000,000.00	(17,005,295.00)	15,994,705.00	2,262,301.00	745,759.00	95%
Property Refurbishment B/S	17				12,986,645.00		
Finance Cost P&L	11(b)	52,206,000.00	14,368,867.00	66,574,867.00	34,123,887.00	(858,169.00)	101%
Finance Cost B/S	25				33,309,149.00		
Depreciation	17	20,000,000.00	-	20,000,000.00	112,012,594.00	(92,012,594.00)	
TOTAL EXPENDITURE		579,648,000.00	(35,038,471.00)	544,609,529.00	561,067,867.00	(16,430,838.00)	103%

KERIO VALLEY DEVELOPMENT AUTHORITY

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For the year ended June 30, 2021.

17. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. General Information

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

2. Statement of Compliance and Basis of Preparation

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

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

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

KERIO VALLEY DEVELOPMENT AUTHORITY

Annual Reports and Financial Statements

For the year ended June 30, 2021.

Summary of significant Accounting Policies (Continued)

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2021.

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

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Summary of significant Accounting Policies (Continued)

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.*

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

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Standard	Effective date and impact:
	(a) The nature of such social benefits provided by the entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2023: a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.

iii. *Early adoption of standards*

The Authority did not early – adopt any new or amended standards in year 2020/2021.

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4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

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

Transfers from other government entities

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

Rendering of services

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

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

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Summary of Significant Accounting Policies (Continued)

Sale of goods

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

ii) Revenue from exchange transactions

Dividends

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

Rental income

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

b) Budget information

The original budget for FY 2020-2021 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity did not record additional appropriations on the 2020-2021 budget following the governing body's approval.

KERIO VALLEY DEVELOPMENT AUTHORITY

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Summary of Significant Accounting Policies (Continued)

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

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

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

c) Taxes

Current income tax

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

KERIO VALLEY DEVELOPMENT AUTHORITY

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Summary of Significant Accounting Policies (Continued)

Deferred tax

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

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

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

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

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

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

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Summary of Significant Accounting Policies (Continued)

Sales tax

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

- i) 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
- ii) When receivables and payables are stated with the amount of sales tax included
The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

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

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

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

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

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Summary of Significant Accounting Policies (Continued)

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Authority recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation

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

Depreciation rates

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

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

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f) Leases

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

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Authority will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

KERIO VALLEY DEVELOPMENT AUTHORITY

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Summary of Significant Accounting Policies (Continued)

g) Intangible assets

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

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

h) Research and development costs

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

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

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

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Summary of Significant Accounting Policies (Continued)

i) Financial instruments

a) Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity.

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

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Summary of Significant Accounting Policies (Continued)

Impairment of financial assets

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

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

b) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Authority determines the classification of its financial liabilities at initial recognition., All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are de-recognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

KERIO VALLEY DEVELOPMENT AUTHORITY

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Summary of Significant Accounting Policies (Continued)

j) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

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

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

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

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

k) Provisions

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

Where the Authority expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when thereimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

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Summary of Significant Accounting Policies (Continued)

l) Contingent liabilities

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

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

m) Contingent assets

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

n) Nature and purpose of reserves

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

o) Changes in accounting policies and estimates

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

KERIO VALLEY DEVELOPMENT AUTHORITY

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Summary of Significant Accounting Policies (Continued)

p) Employee benefits

Retirement benefit plans

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

Defined benefit plans are post -employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri -annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

q) Foreign currency transactions

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

r) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

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Summary of Significant Accounting Policies (Continued)

s) Related parties

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

t) Service concession arrangements

The Authority analyses all aspects of service concession arrangements that it enters in determining the appropriate accounting treatment and disclosure requirements. Where a private party contributes an asset to the arrangement, the Authority recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Authority also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

u) Cash and cash equivalents

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

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Summary of Significant Accounting Policies (Continued)

v) Comparative figures

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

w) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

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For the year ended June 30, 2021.

Significant Judgments and Sources of Estimation Uncertainty (Continued)

Useful lives and residual values

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

The condition of the asset based on the assessment of experts employed by the Entity.

The nature of the asset, its susceptibility and adaptability to changes in technology and processes.

The nature of the processes in which the asset is deployed.

Availability of funding to replace the asset.

Changes in the market in relation to the asset

Provisions

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

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

KERIO VALLEY DEVELOPMENT AUTHORITY

Annual Reports and Financial Statements

For the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS.

6) Government Grant income

The Authority during the year received a total of Kshs. 157,518,500 grants for core activities.

Description	2020-2021	2019-2020
Unconditional Grants	Kshs	Kshs.
Recurrent	100,180,000	136,575,184
Development	<u>57,338,500</u>	<u>166,928,000</u>
Total	<u>157,518,500</u>	<u>303,503,184</u>

During the year under review, the Authority received Kshs. 157,518,500 for recurrent and Development.

7) Voluntarily early Retirement

	Kshs.	Kshs.
Balance b/f	35,511,864	35,694,724
Receipts	-	-
Expenditure for the year	<u>(33,086,696)</u>	<u>(182,860)</u>
Balance c/f	<u>2,425,168</u>	<u>35,511,864</u>

8). Gain on Disposal of Assets for the Year 2019-2020

There were no disposals during 2020-2021 FY. Disposals for 2019-2020

Were as follows

Particulars	Acc.		Sale Amt.	Gain/Loss
	Cost Kshs.	Depreciation Kshs.		
Toyota d/c pick up KXY 713	396,000	386,592	208,100	198,692
Toyota d/c pick up KAN 967U	2,159,650	2,138,005	645,500	623,855
Toyota d/c pick up KCD 426	351,000	202,923	560,000	411,923
Toyota d/c pick up KBB 179S	2,019,200	1,955,239	560,000	496,039
Toyota d/c pick up KYZ 654	420,000	410,022	100,000	90,022
Isuzu Mini-Bus KAN 979U	3,371,960	3,255,100	680,000	563,140
Iseki Tractor KZX381	654,093	653,977	121,100	120,984
International Tractor KAA 706P	580,000	577,338	120,500	117,838
Iseki Tractor KZX 383	654,093	653,977	123,999	123,883
Bulldozer KZX384	2,072,590	2,070,220	1,140,000	1,137,630
Hay Mower Ndume	525,700	455,528	25,000	(45,172)
Yamaha DT 100cc KAB622B	132,510	132,454	15,000	14,944
Total				3,853,778

KERIO VALLEY DEVELOPMENT AUTHORITY

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For the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (Continued)..

9) Biological Assets

Biological Assets include tree seedling and farm animals. These assets are valued at a fair market value.

Description	2020-2021 Kshs	2019-2020 Kshs
Seedlings (18,849,125-9,599,020) to inventory	9,250,105	9,960,570
Animal Goats	700,000	780,000
Animal Sahiwal Cattle	3,728,900	2,800,000
Total	<u>13,679,005</u>	<u>13,540,570</u>

Biological Assets

	Seedlings	Goats	Cattle	Totals
Bal b/f	9,960,570	780,000	2,800,000	13,540,570
Additions	1,325,000	0	130,000	1,455,000
Sub-Total	11,285,570	780,000	2,930,000	14,995,570
Less: Transfer to Inventory	3,037,020	0	0	3,037,020
Balance	8,248,550	780,000	2,930,000	11,958,550
Valuation	9,250,105	700,000	3,728,900	13,679,005
Increase/Decrease in Biological Assets	1,001,555	(80,000)	798,900	1,720,455

Seedlings

Bal b/f	-
Additions	3,037,020
Sub-Total	3,037,020
Less: Transfer to Conservation	564,000
Balance	2,473,020
Valuation	2,473,020

See note 20.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)..

10) Conditional Funds Liability (ESP & Water Harvesting)

Balance b/f	897,969	8,557,760
Less - water harvesting Expenses	(876,671)	(7,659,791)
Less - Economic stimulus Expenses (ESP)	(14,886)	-
Total water harvesting and ESP Expenses	(891,557)	(7,659,791)
Liability (Fund Balance)	6,412	897,969

11) Appropriation in Aid

(a) Other Income	2020-2021	2019-2020
Description	Kshs.	Kshs.
Beekeeping & Beehives	60,174,962	
Opening Stock	11,540,094	
Add: Purchase of Semi-processed Honey	27,938,074	
Purchase of packaging materials	1,280,867	
Materials for Beehives Production	670,200	
Less: Closing Stock	(13,761,440)	
Cost of Sales	27,667,795	
Payment of salaries and wages	3,238,260	

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For the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (Continued)..

Expenditure	30,906,055	
Sub-Total	29,268,907	41,689,453
Sale of Farm Produce	4,448,792	
Opening Stock	999,085	
Purchase of Farm Inputs	1,158,126	
Less: Closing Stock	0	
Cost of Sales	2,157,211	
Add: Payment of Salaries and Wages	7,419,081	
Expenditure	9,576,292	
Sub-Total	(5,127,500)	1,794,741
Mango Juice	1,507,243	
Opening Stock	0	
Add: Purchase of Raw Materials	6,138,273	
Less: Closing Stock	(6,164,121)	
Cost of Sales	(25,848)	
Payment of Salaries and Wages	4,892,564	
Expenditure	4,866,716	
Sub-Total	(3,359,473)	-
Sale of Tree and Fruit Seedlings	1,553,304	
Opening Stock	0	
Add: Purchase of Seedlings	1,325,000	
Less: Closing Stock	(2,473,020)	
Cost of Sales	(1,148,020)	
Add: Purchase of Tubes	1,365,000	
Total expenses	216,980	
Sub-Total	1,336,324	3,220,482

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NOTES TO THE FINANCIAL STATEMENTS (Continued)..

Pasture seed & Livestock	6,434,140	
Opening Stock	223,830	
Add: Purchase of Pasture Seeds	6,749,100	
Less: Closing Stock	(12,346,650)	
Cost of Sales	(5,373,720)	
Sub-Total	11,807,860	1,253,100
Miscellaneous receipts	20,531,430	30,218,879
Total	54,457,548	78,176,655

Description	2020-2021 Kshs.	2019-2020 Kshs.
(b) Rental Income		
Rent	94,131,658	113,421,216
Less- KCB Loan interest Repayment	(34,123,887)	(43,019,258)
Less- Cleaning Services	(2,801,540)	(3,384,380)
Less- Utilities Water	(3,752,165)	(3,908,019)
Less- Utilities Electricity	(8,755,177)	(8,494,646)
Less- Security Services	(7,569,528)	(6,657,000)
Sub-Total	37,129,361	47,957,913
(c) Kenya Electricity Generating Co. Ltd	45,000,000	45,000,000
Grand Total AIA =(a) + (b) + (c)	136,586,909	171,134,568

12) Employee Costs (Personnel Emoluments)

Employee cost Description	2020-2021 Kshs.	2019-2020 Kshs.
Basic Salary	99,481,920	69,999,222
House Allowance	20,730,775	16,205,066
Acting Allowance	2,390,793	331,096
Hardship Allowance	6,695,950	5,886,740
Extraneous Allowance	276,000	370,000
Leave & Passage	1,144,000	952,000
Commuter Allowance	8,681,000	7,526,265
N.S.S.F Employer's portion	403,800	351,200

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NOTES TO THE FINANCIAL STATEMENTS (Continued)..

Pension	5,713,584	4,093,919
Transfer Allowance	1,254,969	587,233
Non Practicing Allowance	60,000	60,000
Disability Help Allowances	480,000	340,000
Sub-Total	147,312,791	106,702,741

USE OF GOODS AND SERVICES

13(a) Administration expenses	2020-2021`	2019-2020
Description	Kshs	Kshs
FKE Subscription	49,400	59,131
NITA	102,550	94,250
ICT (Internet Services)	1,011,915	1,119,568
Temporary/Contracted Employees	-	1,997,511
Outsourced Legal Services	6,008,054	5,832,057
Hospitality	4,407,636	5,933,507
Security	60,000	-
Maintenance of Assets	2,192,289	3,654,539
Property Mgt Fees	906,933	3,290,323
Rent & Rates-Residential	613,928	588,440
Maintenance of Motor Vehicle & Cycles	4,789,367	6,132,163h
Fuels, oil and lubricants	4,866,865	5,526,166
Daily subsistence	2,393,750	5,001,163
Benevolent Expenses	50,000	669,100
Sales & Marketing	853,647	1,954,581
Audit Fees	812,000	812,000
Communication & Supplies Services	1,253,294	1,993,900
Provision for bad debts	389,306	477,841
Bad debts Written off	112,391	0
National Industrial Training Authority	9,041,800	0
Land Rates	2,597,205	0
Purchase of Workshop Tools	224,003	237,464
Livestock Vet	171,280	0
Office General Supplies (Stationery)	483,267	3,996,553
Uniforms & Safety Measures	46,020	167,075
Purchase of protective Clothing	281,953	736,290
Employee Satisfaction	45,000	-
Rewards	25,530	-
Corporate Communication	1,426,274	2,382,132
Printing & publicity Expenses	956,533	3,099,997

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For the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (Continued)..

ISO, PC, M&E, & Strategic Plan	-	3,971,253
Repair of office Machines	556,280	196,015
Accommodation	1,397,546	7,015,670
Project Supervision	-	2,994,553
HIV& AIDS	-	93,700
Detergents & Cleaning Materials	1,208,807	536,322
Professional Subscriptions	34,350	105,550
Training Expenses	-	9,085,690
Temporary Contracts	-	3,999,051
Travel costs	3,486,065	8,982,569
Gratuity	267,848	240,244
Sub-Total	<u>53,123,086</u>	<u>92,976,368</u>

13(b). Utilities Services	2020-2021	2019-2020
	Kshs.	Kshs.
Water	53,383	30,379
Electricity	514,372	2,528,675
Total goods & services	<u>567,755</u>	<u>2,559,054</u>
13(c) Insurance		
Group life	1,432,912	434,844
Group Personal	399,294	0
Director's Cover	-	64,015
Staff Cover	16,174,154	13,599,009
Motor Vehicle	1,279,642	1,960,262
Building & Equipment	-	716,878
Sub-Total	<u>19,286,002</u>	<u>16,775,008</u>
Total Admin. Expenses 15a+15b+15c	<u>72,976,843</u>	<u>112,310,430</u>

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For the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (Continued)..

14 (a) Operation/General Expenses	2020-2021	2019-2020
Description	Kshs.	Kshs.
Pasture & Livestock Development	2,117,371	7,568,221
ERP Systems-Consultancy	2,337,125	-
Samburu	1,006,344	-
Property Refurbishment	2,262,301	-
Honey Value Chain Project	4,626,182	25,112,830
Totals	<u>12,349,323</u>	<u>32,681,051</u>

14(b) Grant Expenses	2020-2021	2019-2020
	Kshs.	Kshs.
Lower Turkwel	2,271,017	6,836,795
Napuu Irrigation Project	11,829,418	57,465,720
Lomut Irrigation Project	18,931,565	49,668,857
Weiwei Phase III	33,105,172	25,248,246
Mango Value Chain	22,750,752	9,835,680
Chepkum irrigation Project	14,036,014	14,134,448
Total	<u>102,923,938</u>	<u>163,189,746</u>

Grand Totals Grants a+b	<u>115,273,261</u>	<u>195,870,797</u>
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15). Remuneration of directors

	2020-2021	2019-2020
	Kshs	Kshs
Chairman's Honoraria	960,000	960,000
Director's Sitting Allowances	19,788,642	27,236,780
Training	-	1,467,276
Medical Cover	-	64,015
Total director emoluments	<u>20,748,642</u>	<u>29,728,071</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)..

16)Kra Tax Debt	2020-2021	2019-2020
	Kshs	Kshs
Kra Debt	27,461,244	-
Amount Paid	<u>(16,019,059)</u>	-
	<u>11,442,185</u>	-

KRA debt was occasioned by tax assessment on VAT dues from Ken-Gen annual income. The income were previously being treated as Grants.

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FIXED ASSET MOVEMENT SCHEDULE														
	Land Kshs	Survey & Drawing Equipmt.	Buildings Semi-Permanent	Building Permanent	Plant Machinery & Equipment	Office Machinery & Fittings	Motor Vehicles & Lorries	Tractors & Dozers	Office Furnitures & Fittings	House Furniture & Fittings	Loose Tools & Equipt.	Turkweil Gorge Project	Work In Progress Kvda Southern Wing, Rokocho & Mango Factories	Totals
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Cost														
At 1 July 2019	87,879,950	7,161,701	9,855,151	1,364,756,408	16,541,229	20,233,473	80,261,051	30,264,160	7,214,373	1,983,566	3,440,459	7,001,309,300	64,061,768	8,687,642,745
Additions	-	-	-	47,004,437	-	3,017,000	-	-	6,001,387	-	-	-	-	63,342,667
Disposals	-	-	-	-	658,210	-	8,717,810	3,960,776	-	-	-	-	-	13,336,796
Transfers/adjustments														
At 30th June 2020	87,879,950	7,161,701	9,855,151	1,411,760,845	15,883,019	23,250,473	71,543,241	26,303,384	13,215,760	1,983,566	3,440,459	7,001,309,300	64,061,768	8,737,648,616
Additions				5,023,185		1,687,800		3,160,000	1,981,100				3,458,615	25,310,700
Disposals														
Transfer/adjustments														
At 30th June 2021	87,879,950	7,161,701	9,855,151	1,426,784,030	15,883,019	24,938,273	71,543,241	29,463,384	15,196,860	1,983,566	3,440,459	7,001,309,300	67,520,383	8,762,959,316
Depreciation and impairment														
At 1 July 2019	-	5,910,806	9,385,658	296,601,477	4,827,286	5,647,744	63,741,618	23,887,689	5,648,547	1,823,888	2,247,879	2,689,753,763	-	3,299,476,155
Depreciation	-	156,362	46,949	22,303,187	263,933	950,341	1,950,406	603,924	945,902	19,960	149,097	86,231,111	-	13,621,172
At 30 June 2020	-	6,067,168	9,432,607	318,904,664	15,091,219	16,598,085	65,692,024	24,491,613	6,594,449	1,843,848	2,396,776	2,775,984,874	-	3,243,097,327
Depreciation	-	186,817	42,254	22,157,587	197,950	1,042,524	1,462,804	1,242,943	1,075,301	17,465	130,460	84,506,489	-	112,012,154
Disposals														
Impairment														
Transfer/adjustment														
At 30th June 2021	-	6,203,985	9,474,861	341,062,251	15,289,169	17,640,609	67,154,828	25,734,556	7,669,750	1,861,313	2,527,236	2,860,491,363	-	3,355,109,921
Net book values														
At 30 th June 2021	87,879,950	957,716	380,290	1,085,721,779	593,850	7,297,665	4,388,413	3,728,828	7,527,110	122,253	913,223	4,140,817,937	67,520,383	5,407,849,395
At 30 th June 2020	87,879,950	1,094,533	422,544	1,092,856,181	791,800	6,652,388	5,651,218	181,171	6,621,310	139,718	1,043,683	4,225,324,426	64,061,768	5,494,551,289

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NOTES TO THE FINANCIAL STATEMENTS (Continued)..

18)Cash & Bank Balances

Account name /Financial institutions	A/C No	2020-2021	2019-2020
		Kshs.	Kshs
a) Current account			
1. KVDA Premises A/C	1169785719	2,855,976	25,603,369
2. KVDA Development A/C	1169784720	606,331,949	651,243,585
3. KVDA Recurrent A/C	1169784984	279,790	2,246,072
4. Turkwel A/C	1169785344	242,489	3,271,130
5. KVDA Depreciation A/C	1169786111	270,660	275,906
6. KIDDP A/C	1169785166	347,748	353,384
7. KVDA Farm Produce & Other	1133480969	775,230	1,536,461
8. KVDA Machinery A/C	1131849132	7,306	1,862,372
9. KVDA Service Charge A/C	1133481035	400,603	193,939
10. KVDA Honey & other Business A/C	1146518099	1,648,067	5,276,739
11. KVDA Retention A/C	1181606381	11,917,659	56,266,861
12. KVDA Service Centre A/C	01001027717005	710	0
13. KVDA Sigor A/C	01001027717004	237	0
14. KVDA Lake Turkana Region A/C	1150365099	5,000	0
15. KVDA Lake Turkwel Region A/C	1138684031	1	-
16. KVDA Lake Baringo Region A/C	1138684007	34,709	-
17. KVDA Kerio Region A/C	1138683884	(1,905)	-
18. KVDA Samburu Region A/C	1148701583	-	-
19. Economic Stimulus Project - KCB	1169785492	144,222	675,568
20. National Water Harvesting &Storage Program a/c - KCB	1169783589	790,423	1,702,054
Total		626,050,874	750,507,440

The Authority also maintains an m-pesa till number 914444 for transacting of its products. The till balances are automatically transferred to the farm produce bank account on daily basis hence the till account had nil balance at the close of the year.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)..

19 (a) Trade & Other Receivables	2020-2021	2019-2020
	Kshs	Kshs
Trade debtors -Tenants	27,652,021	29,745,283
Trade debtors -Other Clients	8,219,481	18,511,130
Staff Debts	279,905	-
Salary advances	2,206,070	2,707,767
Total	38,357,477	50,964,180
19 (b) Receivables from Non-Exchange Transactions		
Description	Kshs	Kshs
Toyota Kenya Ltd	-	500,000
Wambwa Musembi, Chebii & Co.		
Advocates	879,996	879,996
Total	879,996	1,379,996
Total Receivables (a+b)	39,237,473	52,344,176
19 c) Provision for doubtful debts (15% (2,595,396))	389,306	406,165

20) Inventory IPSAS 12

Inventory is measured at cost upon initial recognition. The cost of the inventory is its fair value at the date of acquisition. Inventories are recognized as an expense when deployed for utilization in the ordinary course of operations of the entity.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)..

Category	2020-2021 KShs	2019-2020 KShs
Processed Honey	3,012,710	3,066,561
Crude and semi processed Honey	10,652,960	7,962,235
Building & Plumbing	3,717,879	3,217,748
Spare Parts	199,080	1,381,412
Beehives & Honey Equipment	95,770	511,298
Tools & Equipment	1,794,169	1,430,170
Farm inputs	156,634	161,700
Stationery	1,873,783	548,485
Agro-Vet (Live Stock)	-	223,830
Farm products	12,346,650	837,385
General stores	305,363	88,180
Packaging Materials	3,726,936	-
Mango puree	588,000	-
Mango Juice	438,435	-
Mature seedlings	2,473,020	-
Total	41,381,389	19,429,004

21. Advance Payments- Arror/Kimwarer Multipurpose Receivable Non-exchange transactions

Balance b/f	7,778,151,688	7,778,151,688
Arror Multipurpose Project Prior Year Advance	-	-
Kimwarer Multipurpose Project Advance	-	-
Balance c/d	<u>7,778,151,688</u>	<u>7,778,151,688</u>

22) Arror Multipurpose

	2020-2021 Kshs.	2019-2020 Kshs.
Balance B/f	605,946,457	605,946,457
Receipt	-	-
Expenditure	-	-
Balance c/f	605,946,457	605,946,457

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NOTES TO THE FINANCIAL STATEMENTS (Continued)..

LIABILITIES

23) Trade & Other Payables

Description	2020-2021 Kshs	2019-2020 KShs.
Creditors (Recurrent A/C)	69,308,571	11,669,665
National Industrial Training Authority	9,041,800	9,541,800
Accrued VAT	1,234,775	0
Staff Debts Payable	1,341,389	-
Retention- (Water pans & Others)	20,900,110	16,183,181
Total	101,826,645	37,394,646

24) Audit Fees

	2020-2021 Kshs	2019-2020 Kshs
Balance b/f (2017/18 and 2018/19FYs)	1,624,000	1,624,000
Current Year	812,000	812,000
	2,436,000	2,436,000
Less paid (2017/2018 FY)	-	(812,000)
Amount payable	2,436,000	1,624,000

25) Non-Current Liabilities (Loan)

The Authority borrowed a bank loan from KCB of **Kshs. 400 million** which is being serviced.

Balance b/f	325,588,680	353,170,996
Principal loan Repayment	(33,309,149)	(27,582,316)
Loan Balance c/f	292,279,531	325,588,680

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26) Capital Reserves

Capital reserves include **Land, building, Tractors & Dozers,**

Plant Machinery, equipment, Motor Vehicles, Furniture and Turkwel Gorge.

27) Contingent Items

i) Included in the exchange transactions is a receivable deposited by the Authority to enable it make an appeal in a court 96 of 2013 kshs. 875,996. This money was deposited as a result of a court order to enable the authority make an appeal.

ii) There is an ongoing arbitration involving Aror/Kimwarer Dam projects where the contractor is claiming 12.3 billion shillings for default cancellation of project. The matter is being handled by the Attorney General on behalf of KVDA

iii) The former Managing Director was awarded Ksh 23.4 million by the court for wrongful termination. This matter has since been appealed by the Authority.

28 Financial Risk Management

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

The entity's financial risk management objectives 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 cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, considering its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)..

Financial Risk Management

ii) Liquidity risk management

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

iii) Market risk

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)..

29 Capital Commitments

Capital commitments	2020-2021	2019-2020
ON_GOING	Kshs	Kshs
Nairobi refurbishment	372,497	-
Construction of Samburu Office.	5,341,385	-
Total	5,713,882	-

(NB: Capital commitments are commitments to be carried out in the next financial year and are disclosed in accordance with IPSAS 17. Capital commitments may be those that have been authorized by the board but at the end of the year had not been contracted or those already contracted for and ongoing)

30 Surplus Remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per cent of its surplus funds reported in the audited financial statements after the end of each financial year. The Authority did not make any surplus during the year and hence no remittance to the Consolidated Fund.

31 Events after the Reporting Period

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

32 Ultimate and Holding Entity

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

33 Currency.

The financial statements are presented in Kenya Shillings (Kshs).

34. Related party disclosure.

The Authority is related to the State Department of Regional and Northern Corridor Development under Ministry of East Africa Community. In addition, it is also related to the National Treasury since the budgetary allocation are approved by treasury. The authority's operations are spread across the counties of Turkana, Baringo, West pokot, Elgeyo Marakwet as well as Samburu where it collaborates on Development programmes from time to time.

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APPENDIX

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments
<p>21.1 Presentation, Accuracy and Completeness of the Financial Statements</p>	<p>i. The financial statements availed for audit do not have appendices on the progress follow up of auditor recommendations, projects implemented by the entity including the status of the projects completion and recording of transfers from other Government entities.</p> <p>ii. The statement of financial performance for the year ended 30 June, 2020 and statement of financial position as at 30 June, 2020 reflects restated figures as at 30 June, 2019. However, the financial statements did not include an explanatory note to explain the restatements or the prior year adjustments.</p>	<p>The reinstated figures to the financial statement was in order to reflect the true position of the financial position. However, the explanatory notes were inadvertently left out. We have since noted and will ensure there is completeness of explanatory notes going forward.</p>
<p>21.2 Cash and Cash Equivalents</p>	<p>The Authority operated several bank accounts within the year under audit. However, some of the bank accounts as tabulated below reflected no transactions for the whole year except for bank charges and hence are dormant. No explanation was</p>	<p>The various accounts were as a result of expanded Authority operations. However, over time, the government funding has reduced leading to low operations and</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments
	<p>availed for not closing the bank accounts to save on bank charges and commissions.</p>	<p>dormancy in these accounts. Management has now commenced the process of closing the accounts.</p>
<p>21.4 Receivables from Exchange Transactions- Staff Advances</p>	<p>The statement of financial position reflects receivables from exchange transactions balance of Kshs.52,344,176 as at 30 June, 2020 which includes staff salary advances balance of Kshs.2,707,767 as disclosed in Note 21(a) to the financial statements which have been outstanding since 1998 and most of the staff members are no longer in service. However, the management has not provided measures put in place to recover the funds from respective staff members. No provision for doubtful debts has been made in the financial statements against these unrecoverable debts.</p>	<p>The non performing debts have been long outstanding since management has not been successful in tracing the whereabouts of the former staff members. The effort to trace is on going before undertaking the final consideration of writing off the debts</p>
<p>21.5 Receivable from Non - Exchange Transactions</p>	<p>As previously reported, the statement of financial position as at 30 June, 2020 reflects advance payments multi-purpose projects balance of Kshs.7,778,151,688 to contractors towards construction of Aror and Kimwarer multipurpose dams which were to be recovered by the Authority from subsequent payments of certified works. The contractor is not on site and the projects</p>	<p>Management has not made any provision for doubtful debts since the advance payments are fully guaranteed.</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments
	have stalled. However, the management has not made any provision for doubtful debts in respect of advance payments of Kshs.7,778,151,688.	
21.6 Biological Assets	The statement of financial position reflects biological assets amounting to Kshs.13,540,570 comprising of seedlings, animal goats and animal Sahiwal cattle as disclosed in Note 24 to the financial statements. However, valuation report of the biological assets as at 30 June, 2020 was not availed for audit review. Further, the overall increase of Kshs.3,093,800 in carrying amount of biological assets from Kshs.10,446,770 as at 30 June, 2019 to Kshs.13,540,570 as at 30 June, 2020 is not supported by a reconciliation statement neither has it been accounted for under the statement of financial performance in line with International Public Sector Accounting Standard No 27.	The valuation and reconciliations has since been updated in the subsequent year.
21.7 Property, Plant and Equipment	The statement of financial position reflects property plant and equipment balance of Kshs.4,401,695,108 and investment property of Kshs.1,092,856,181 as at 30 June, 2020 totalling to Kshs.5,494,551,289 whose cost figure is Kshs.8,737,648,616 as	Management is in the process of seeking funds to undertake valuations since it does not have the resources to undertake the exercise at the

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	<p>disclosed in Note 35 to the financial statements. However, the authority's assets property plant and equipment figure of Kshs.4,401,695,108 have not been valued in accordance paragraph 44 of IPSAS 17- property plant and equipment which states that the frequency of revaluations depends upon the changes in the fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is necessary.</p>	<p>present.</p>
<p>21.8 Budgetary Control and Performance</p>	<p>During the year ended 30 June, 2020, Kerio Valley Development Authority had an approved budget of Kshs.535,716,184 which comprised of development vote budget of Kshs.167,850,000 and recurrent vote budget of Kshs.367,866,184. The Authority received Kshs.474,637,752 or approximately 89% of the total budgeted funds. At the end of the financial year, the budget performance reflected absorption on development vote of Kshs.166,928,000 or 99% and on recurrent vote Kshs.446,612,039 or 121% resulting to overall budget over-absorption of Kshs.227,850,824 or 174%</p>	<p>The budget deficit was accessioned by low funding levels which was beyond the control of Management.</p>
<p>21.9 Project</p>	<p>Report on ongoing status of</p>	<p>Management</p>

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Verification	<p>projects as reported on the financial statements indicate that the Authority has developed and irrigated 4,345 acres of land out of 304,000 hectares that is available for irrigation. However, information available for audit indicate that the management has not put in place measures to ensure sustainability and maintenance of the irrigated land to ensure there is no wastage of public funds resulting from poor management of the irrigation schemes.</p>	<p>established project management committees for the irrigation projects to ensure full community participation and the sustainability of the irrigation projects.</p>
21.10.1 Staff Composition	<p>Eighty-eight (88) or 68% of permanent staff are from the dominant community, while forty-one (41) or 32% are from non-dominant communities. Further, five (5) or 50% of senior management are from the dominant community and one (5) or 50% is from non-dominant community while six (6) or 38% out of the sixteen (16) appointed board members are from the dominant community contrary to Section 7 of the National Cohesion and Integration Act, 2008 which requires that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of staff from the same ethnic community.</p>	<p>The composition of staff will be regularized gradually as and when the Authority hires new staff</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments
<p>21.11 Lack of Policy Engagement of Casuals</p>	<p>The statement of financial performance reflects personal emoluments - employee costs figure of Kshs.106,702,741 for the year ended 30 June, 2020, which includes Kshs.1,462,454 paid to casual employees engaged mainly in management of seedlings and environmental conservation programmes. During the year under audit, the Authority employed casuals in their projects of Wei Wei, Arror, Tot, Napuu among others. However, the management did not avail a management policy on engagement of casuals.</p>	<p>The casuals engagement policy is now in place. The same has been availed to the Auditor for review and verification.</p>
<p>21.12 Advance Payments - Multipurpose Dam Development Project</p>	<p>During the year under audit, physical verification of the project carried out on 14 April, 2021, revealed that the contractor is not on site and no work is in progress an indication that the project has stalled. The project is behind contract programme schedule and it is not known when the land acquisition process will be concluded and when construction work will resume.</p>	<p>The project was subjected to investigation by independent Government agencies. Management is awaiting the conclusion and closure of matters currently under the agencies.</p>
<p>21.21 Remuneration of Directors - Board Composition</p>	<p>During the year under audit, the Authority was composed of 17 members to the Board. Whereas the board members were appointed as per the Act, it was noted that the Act was in conflict with the Code of</p>	<p>Management is aware of the discrepancy between Mwongozo document and the act establishing KVDA.</p> <p>The same will be regularized once the</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments
	<p>Governance for State Corporations (Mwongozo), 2015 which was created ostensibly to streamline governance structures and curtail costs of running state corporations' boards and specifically requiring a maximum of 9 members per a state corporation.</p> <p>As a result, the Authority is not compliant with the Code of Governance for state corporations and risks losing public funds through running of bloated board.</p>	<p>act establishing KVDA is reviewed and amended accordingly.</p>
<p>21.22 Internal Audit Function – Staff Inadequacy</p>	<p>During the year ended 30 June, 2020, Kerio Valley Development Authority had an internal audit function in place with a total staff of two (2) officers. Further, the approved staff establishment provides for internal audit department staff establishment of seven (7) officers in various cadres. Thus, there is a staff shortfall of five (5) personnel as per the approved staff establishment which is contrary to Regulation 155(2)(a) of the Public Finance Management Regulations, 2015, which states that an Accounting Officer shall ensure that the organizational structure of the internal audit unit facilitates the entity to accomplish its internal audit responsibilities.</p>	<p>Management is awaiting budgetary allocation and relevant approvals to hire staff to fill in the existing Human resource gaps.</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments
21.23 Inventory Management Policy	The statement of financial position reflects inventory figure of Kshs.19,429,004 as at 30 June, 2020 comprising of processed honey, crude and semi proceeded honey, building and plumbing, spare parts, bee hives & honey equipment, tools and equipment, farm inputs, stationery, agro-vet (livestock), farm products and general stores as disclosed in Note 22 to the financial statements. However, the Authority does not have an inventory management policy to provide formal guidance on the management of inventory.	The process of developing inventory management policy is ongoing


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Transfers from other Government entities

	ENTITY NAME:	KERIO VALLEY DEVELOPMENT AUTHORITY		
	Breakdown of Transfers from the State Department of Regional Department and Northern corridor			
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
		19.08.2020	25,045,000.00	2020-21
		04.11.2020	25,045,000.00	2020-21
		03.02.2021	25,045,000.00	2020-21
		25.06.2021	25,045,000.00	2020-21
			100,180,000.00	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
		22.06.2021	57,338,500.00	2020-21
		Total	57,338,500.00	


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Mr. Moses Kipchumba
Chief Manager Finance

